

438. By Mr. WELCH: Senate Joint Resolution 14 of the California Legislature, relative to memorializing Congress to enact House bill 2347, Seventy-ninth Congress, first session, relating to guayule rubber; to the Committee on Agriculture.

439. By the SPEAKER: Petition of John L. May, of Milwaukee, Wis., and 120 signers, petitioning consideration of their resolution with reference to the necessity of an investigation of the Veterans' Administration facility at Wood, Wis.; to the Committee on World War Veterans' Legislation.

440. By Mr. LESINSKI: Petition of the Eoorse Junior Chamber of Commerce signed by its officers and directors with reference to giving priority to veterans in handling, reconditioning, and the disposal of all war surplus goods; to the Committee on World War Veterans' Legislation.

## SENATE

THURSDAY, APRIL 26, 1945

(Legislative day of Monday, April 16, 1945)

The Senate met at 12 o'clock meridian, on the expiration of the recess.

Rev. W. H. T. Squiers, D. D., pastor, Ingleside Presbyterian Church, Norfolk, Va., offered the following prayer.

"We praise Thee, O God;  
We acknowledge Thee to be the Lord;  
All the earth doth worship Thee,  
The Father Everlasting."

As Thy servants assemble this day to lead and protect the people of our country, we pray that divine wisdom may be vouchsafed them.

Guide Thy people, O Lord, and protect Thine heritage.

Bless all those on land and sea and in the air who are fighting the battles for righteousness, equity, and peace. Use them as good soldiers of Jesus Christ to bring speedy and conclusive victory, that, after the agony of 6 long years of bloodshed, an era of peace and of justice, of truth and of civic righteousness, may be the portion of all nations on this earth, including those who make war against us.

May the Holy Spirit guide those who have gathered from many nations to the great city of the West that they may explore and find a way to universal peace, harmony, and international good will for all future years.

We pray Thy blessing upon Thy servant, the President of the United States. Bring to his heart and hand wisdom and strength to guide the people of America according to the dictates of justice and of mercy.

And bless the Senate of these United States, preside over them with Thy Holy Spirit, guide and direct them in their deliberations and labors this day and every day.

All this we ask, with the forgiveness of our sins, through Jesus Christ our Lord and King, to whom be glory both now and forever, world without end. Amen.

### THE JOURNAL

On request of Mr. HILL, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day

Wednesday, April 25, 1945, was dispensed with, and the Journal was approved.

### MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed the bill (S. 906) granting a franking privilege to Anna Eleanor Roosevelt, with an amendment in which it requested the concurrence of the Senate.

### EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

#### PERSONNEL OF THE LAND FORCES

A letter from the Secretary of War, transmitting, pursuant to law, a confidential report of the number of men in active training and service in the land forces on February 28, 1945, under section 3 (b) of the Selective Training and Service Act of 1940; to the Committee on Military Affairs.

#### REPORT ON DISPOSAL OF GOVERNMENT-OWNED SURPLUS MACHINE TOOLS, ETC.

A letter from the Attorney General, transmitting, pursuant to section 205 of Public Law 458, Seventy-eighth Congress, known as the War Mobilization and Reconversion Act of 1944, his third report dealing particularly with the problems involved in the disposal of Government-owned surplus machine tools and with the over-all problem of the general program to be followed in the disposal of surplus plants (with an accompanying report); to the Committee on Finance.

#### SUSPENSION OF DEPORTATION OF ALIENS

A letter from the Attorney General, transmitting, pursuant to law, a report stating all of the facts and pertinent provisions of law in the cases of 348 individuals whose deportation has been suspended for more than 6 months under the authority vested in the Attorney General together with a statement of the reason for such suspension (with accompanying papers); to the Committee on Immigration.

#### SAFEGUARD OF ESTATES OF VETERANS

A letter from the Administrator of Veterans' Affairs, transmitting a draft of proposed legislation to amend section 3 of the act approved August 12, 1935, entitled "An act to safeguard the estates of veterans derived from payments of pension, compensation, emergency officers' retirement pay and insurance, and for other purposes," as amended, and for other purposes (with an accompanying paper); to the Committee on Finance.

#### LAND FOR ADDITIONAL STORAGE SPACE IN THE PENSACOLA RESERVOIR, GRAND RIVER DAM PROJECT, OKLAHOMA

A letter from the Acting Secretary of the Interior, transmitting a draft of proposed legislation to authorize the use of certain lands of the United States for flowage in connection with providing additional storage space in the Pensacola Reservoir of the Grand River Dam project in Oklahoma, and for other purposes (with an accompanying paper); to the Committee on Indian Affairs.

#### PERSONNEL REQUIREMENTS

A letter from the chairman of the War Production Board, transmitting, pursuant to law, a revised estimate of personnel requirements for that Board for the quarter ending June 30, 1945 (with an accompanying paper); to the Committee on Civil Service.

### PETITIONS AND MEMORIALS

Petitions, etc., were presented, and referred as indicated:

By Mr. LA FOLLETTE:

A joint resolution of the Legislature of the State of Wisconsin; ordered to lie on the table:

#### "Senate Joint Resolution 42

"Joint resolution memorializing the Congress of the United States, the War Mobilization Director, and Maj. Gen. Lewis B. Hershey, Director of Selective Service, to reconsider the proposed plans to draft all skilled farm help and skilled workers processing dairy products for the military service.

"Whereas the President, the War Mobilization Director, and Maj. Gen. Lewis B. Hershey have recently requested that approximately one-half of the 384,000 deferred farm workers of the country between the ages of 18 and 28 be inducted into the military service by July 1 in spite of the provisions of the Tydings amendment of October 1942; and

"Whereas it is realized that in the present critical war situation people in agriculture and skilled workers processing dairy products are not exempt from military service; and

"Whereas it must be urged that there must be a selection and reexamination of those who may be escaping their wartime duty and a deferment of those who are truly essential to agricultural production and to the processing of dairy products; and

"Whereas it is further deemed essential and desirable that operation, function, and selection under the Tydings amendment be continued so that the local boards will be given the power to determine the standards for essentially on a farm or in a dairy processing plant rather than apply an arbitrary standard of deferment with inelastic and consequent hardships under the proposed program of conscription; and

"Whereas with an intelligent understanding of the agricultural problem, the necessity of supplying an adequate labor pool, the avoidance of a food famine, the farmers of this State and of the country safe for democracy in the American and cooperative way of life; and

"Whereas the farmers and skilled workers processing dairy products in Wisconsin have performed magnificent miracles of production with less help and farm machinery and only with the inspired aid of grandfather and the womenfolk and children; and

"Whereas Wisconsin is the leading dairy State and holds top rank in many foods desired by the Quartermaster Corps, and a substantial number of the deferred farm cases are located within the State, the present critical labor shortage is intensified to one of existence or departure from the farm, with an aggravation of present food shortages; and

"Whereas the dairyman must have experienced, skilled, year-round labor, and other labor available at the right time for harvesting or processing and cannot depend alone on the aged and physically unfit, but must have an adequate reserve of farm help in order to insure an adequate production of food that will win the war and write the peace: Now, therefore, be it

"Resolved by the senate (the assembly concurring), That the Legislature of the State of Wisconsin memorialize the President, the War Mobilization Director, Maj. Gen. Lewis B. Hershey, and the Congress of the United States, to reconsider the calling and inducting of about half of the agricultural workers and skilled workers processing dairy products in the country by July 1, and to urge the continued application of the Tydings amendment that places the power in the local board to grant individual farm and dairy processing plant deferments; in order to save the agricultural and dairy industry of this State; and be it further

"Resolved, That properly attested copies of this resolution be sent to the President,

the War Mobilization Director, Maj. Gen. Lewis B. Hershey, Director of Selective Service, the War Food Administration, to both House of Congress, and to each Wisconsin Member thereof."

By Mr. AUSTIN:

A resolution of the Legislature of the State of Vermont; to the Committee on Finance:

"Whereas approximately 10 percent of the population of Vermont has been called to the armed service of our country in World War No. 2 and so long as hostilities continue this number will materially increase; and

"Whereas we must recognize that a large number of this large group will be returned in critical physical and mental conditions requiring long periods of hospitalization; and

"Whereas the veterans' hospital facilities in Vermont were scarcely adequate for Vermont veterans of World War No. 1; and

"Whereas the Veterans' Administration is recommending the erection of a great number of hospitals for returning veterans, some of which are now completed or in process of construction; and

"Whereas Fort Ethan Allen is idle and with comparatively small expense could be converted to a veterans' hospital where returning disabled Vermont veterans could be cared for; and

"Whereas unless the above-mentioned property is so used or another veterans hospital established within our State our disabled veterans cannot be near their families and homes during their post-war hospitalization: Now, therefore, be it

"Resolved by the senate and house of representatives, That the Governor is hereby authorized to cooperate with the Veterans' Administration for the purpose of creating additional hospital facilities in Vermont for returning disabled Vermont veterans; and be it further

"Resolved, That the secretary of state forward certified copies of these resolutions to Harry S. Truman, President of these United States, to the Veterans' Administration in Washington, and to each of the Members of Congress from Vermont.

"Approved April 18, 1945.

"MORTIMER R. PROCTOR,  
Governor."

#### ADEQUATE ARMY AND NAVY—PETITION

Mr. TAFT. Mr. President, I ask unanimous consent to have printed in the RECORD and appropriately referred a letter in the nature of a petition from Ceylon F. Tremaine, president of the Last Man's Club, Bunker Hill Post, No. 1, World War No. 1, of Sandusky, Ohio, relative to legislation to maintain an adequate Army and Navy to protect our interests and help to prevent future world conflicts.

There being no objection, the letter was referred to the Committee on Military Affairs and ordered to be printed in the RECORD, as follows:

The Honorable ROBERT TAFT,  
United States Senator:

Whereas the official Last Man's Club, Bunker Hill Post, No. 1, World War No. 1, a sincere and patriotic organization, composed of veterans of World War No. 1, Sandusky, Ohio, believing in a strong national defense after the present hostilities have ceased, do hereby petition the Congress of the United States that it shall draft necessary legislation to maintain an adequate Army and Navy to protect our interests and help to prevent future world conflicts.

CEYLON F. TREMAINE,  
President, Last Man's Club,  
World War No. 1.

SANDUSKY, OHIO.

#### REPORTS OF THE CLAIMS COMMITTEE

The following reports of a committee were submitted:

By Mr. JOHNSTON of South Carolina, from the Committee on Claims:

S. 75. A bill for the relief of Thomas C. Locke; without amendment (Rept. No. 204);

H. R. 1016. A bill for the relief of Capt. Millard L. Treadwell; without amendment (Rept. No. 205);

H. R. 1602. A bill for the relief of Robert Lee Slade; without amendment (Rept. No. 206); and

H. R. 1877. A bill for the relief of Maj. William Peyton Tidwell; without amendment (Rept. No. 207).

By Mr. ELLENDER, from the Committee on Claims:

S. 592. A bill for the relief of Mrs. James Arthur Wilson; with amendments (Rept. No. 208);

S. 748. A bill for the relief of Nita Rod-lun; without amendment (Rept. No. 209);

S. 867. A bill for the relief of Ruby Doris Calvert, as administratrix of the estate of Frederick Calvert, deceased; without amendment (Rept. No. 210);

H. R. 1241. A bill for the relief of Margaret M. Meersman; without amendment (Rept. No. 211);

H. R. 1711. A bill for the relief of Blanche H. Karsch, administratrix of the estate of Kate E. Hamilton; with an amendment (Rept. No. 214);

H. R. 1952. A bill for the relief of Joseph Brunette; without amendment (Rept. No. 212);

H. R. 2007. A bill for the relief of Hattie Bowers; with an amendment (Rept. No. 215); and

H. R. 2701. A bill for the relief of Margaret J. Pow; without amendment (Rept. No. 213).

By Mr. TUNNELL, from the Committee on Claims:

S. 57. A bill to confer jurisdiction upon the United States District Court for the Eastern District of Virginia; with an amendment (Rept. No. 216);

H. R. 1260. A bill for the relief of Dr. Walter L. Jackson and City-County Hospital; without amendment (Rept. No. 217);

H. R. 1347. A bill for the relief of Lee Graham; without amendment (Rept. No. 218);

H. R. 1558. A bill for the relief of Mrs. Alma Mallette and Ansel Adkins; without amendment (Rept. No. 219); and

H. R. 2008. A bill for the relief of Boyd B. Black; without amendment (Rept. No. 220).

By Mr. EASTLAND, from the Committee on Claims:

H. R. 904. A bill for the relief of Fred A. Lower; without amendment (Rept. No. 223);

H. R. 980. A bill for the relief of Mrs. Gladys Stout; without amendment (Rept. No. 223); and

H. R. 981. A bill to authorize payment of certain claims for damage to or loss or destruction of property arising prior to May 27, 1941, out of activities of the War Department or of the Army; with an amendment (Rept. No. 221).

#### BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. AIKEN:

S. 931. A bill to correct the military record of Earl Eugene Robinson; to the Committee on Naval Affairs.

By Mr. CORDON:

S. 932. A bill to exclude certain lands in Deschutes County, Oreg., from the provisions of Revised Statutes 2319 to 2337, inclusive, relating to the promotion of the development of the mining resources of the United States;

to the Committee on Public Lands and Surveys.

By Mr. WHEELER:

S. 933. A bill for the relief of the estate of Sybel Spence; to the Committee on Claims.

S. 934. A bill authorizing the Secretary of the Interior to convey certain lands in the State of Montana to A. C. Ladd; to the Committee on Indian Affairs.

By Mr. JOHNSON of Colorado:

S. 935. A bill to continue in effect section 6 of the act of July 2, 1940 (54 Stat. 714), as amended, relating to the exportation of certain commodities; and

S. 936. A bill to amend the act approved January 2, 1942, as amended by the act approved April 22, 1943, entitled "An act to provide for the prompt settlement of claims for damages occasioned by Army, Navy, and Marine Corps forces in foreign Countries"; to the Committee on Military Affairs.

#### HOSPITAL CENTER FOR DISTRICT OF COLUMBIA—MOTION TO RECONSIDER S. 223

Mr. ELLENDER. Mr. President, yesterday, while I was engaged before the Small Business Committee, the calendar was called. I was very much interested in a bill which was passed at that time. I should like to obtain information about it. For that reason I now enter a motion to reconsider the vote by which the bill (S. 223) to provide for the establishment of a modern, adequate, and efficient hospital center in the District of Columbia, was passed.

The PRESIDENT pro tempore. The motion will be entered.

#### WHAT SHALL BE DONE WITH GERMANY?—ARTICLE BY GEORGE M. HALLIBURTON

[Mr. WALSH asked and obtained leave to have printed in the RECORD an article by George M. Halliburton in answer to the question "What shall be done with Germany?" which appears in the Appendix.]

#### REDUCTION IN RESERVE REQUIREMENTS OF FEDERAL RESERVE BANKS, ETC.

The Senate resumed the consideration of the bill (S. 510) to amend sections 11 (c) and 16 of the Federal Reserve Act, as amended, and for other purposes.

Mr. TAFT obtained the floor.

Mr. HILL. Mr. President, will the Senator yield to me to suggest the absence of a quorum?

The PRESIDENT pro tempore. Does the Senator from Ohio yield for that purpose?

Mr. TAFT. I yield for that purpose.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Guffey	O'Mahoney
Austin	Hawkes	Rowercomb
Bailey	Hickenlooper	Robertson
Bankhead	Hill	Russell
Bilbo	Hoey	Shipstead
Brewster	Johnston, S. C.	Smith
Bridges	La Follette	Stewart
Burton	Langer	Taft
Bushfield	McCarran	Taylor
Butler	McClellan	Tunnell
Byrd	McFarland	Wagner
Capper	McKellar	Walsh
Chavez	Maybank	White
Cordon	Millikin	Wiley
Donnell	Mitchell	Willis
Eastland	Moore	Wilson
Ellender	Morse	Young
Fulbright	Murdoch	
Gerry	O'Daniel	



Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS], the Senator from New York [Mr. MEAD], and the Senator from Nevada [Mr. SCRUGHAM] are absent because of illness.

The Senator from Florida [Mr. ANDREWS] is necessarily absent.

The Senator from Kentucky [Mr. BARKLEY], the Senator from Georgia [Mr. GEORGE], and the Senator from Utah [Mr. THOMAS] are absent visiting various concentration and prison camps in Europe.

The Senator from Missouri [Mr. BRIGGS], the Senator from Rhode Island [Mr. GREEN], the Senator from West Virginia [Mr. KILGORE], and the Senator from Florida [Mr. PEPPER] are absent on public business.

The Senator from Texas [Mr. CONNALLY] is absent as a delegate to the International Conference in San Francisco.

The Senator from Kentucky [Mr. CHANDLER], the Senator from California [Mr. DOWNEY], the Senator from New Mexico [Mr. HATCH], the Senator from Arizona [Mr. HAYDEN], the Senator from Colorado [Mr. JOHNSON], the Senator from Illinois [Mr. LUCAS], the Senator from Washington [Mr. MAGNUSON], the Senator from Montana [Mr. MURRAY], the Senator from Louisiana [Mr. OVERTON], the Senator from Maryland [Mr. RADCLIFFE], the Senator from Oklahoma [Mr. THOMAS], the Senator from Maryland [Mr. TYDINGS], and the Senator from Montana [Mr. WHEELER] are absent attending committee meetings and public business pertaining to their respective States.

Mr. WHITE. The Senator from Minnesota [Mr. BALL] is absent because of a death in his family.

The Senator from Illinois [Mr. BROOKS], the Senator from Nebraska [Mr. WHERRY], and the Senator from Massachusetts [Mr. SALTONSTALL] are absent on official business visiting various concentration and prison camps in Europe.

The Senator from Michigan [Mr. VANDENBERG] is absent on official business as a delegate to the International Conference at San Francisco.

The Senator from Idaho [Mr. THOMAS] is absent because of illness.

The Senator from New Hampshire [Mr. TOBEY] is absent on official business.

The Senator from Delaware [Mr. BUCK], the Senator from Indiana [Mr. CAPEHART], the Senator from Michigan [Mr. FERGUSON], the Senator from South Dakota [Mr. GURNEY], the Senator from Connecticut [Mr. HART], and the Senator from Kansas [Mr. REED] are detained in committee meetings and on official business.

The PRESIDENT pro tempore. Fifty-five Senators have answered to their names. A quorum is present.

Mr. McMAHON subsequently said: Mr. President, I ask unanimous consent that at the end of the quorum call which took place about an hour ago there may be appended a statement of the fact that I was present personally as chairman of a subcommittee of the Small Business Committee at a hearing which was concluded just a few moments ago.

The PRESIDENT pro tempore. The Senator's statement will appear in the RECORD.

The Senator from Ohio has the floor. Before he begins his remarks, the clerk will state the first committee amendment.

The CHIEF CLERK. On page 4, after line 9, it is proposed to insert a new section, as follows:

SEC. 3. All power and authority with respect to the issuance of circulating notes, known as Federal Reserve bank notes, pursuant to the sixth paragraph of section 18 of the Federal Reserve Act, as amended by section 401 of the act approved March 9, 1933 (48 Stat. 1, 6), shall cease and terminate on the date of enactment of this act.

Mr. TAFT. Mr. President, the bill before the Senate, S. 510, provides for the most important change in the banking and currency system of the United States since 1933. The central feature of it is a provision to reduce the amount of gold which must be held behind Federal Reserve notes and behind the deposits of member banks in the Federal Reserve System to 25 percent, whereas today the reserve required is 40 percent in the case of Federal Reserve notes, and 35 percent in the case of deposits.

At the present time the actual outstanding Federal Reserve notes amount to \$21,700,000,000 as of approximately the first of the year 1945. In addition to that, there are outstanding some \$6,000,000,000 in silver certificates. The total outstanding currency of the country is about \$27,500,000,000. At the same time the member banks have as deposits in the Federal Reserve bank about \$16,000,000,000, which are reserves against the deposits which customers have made in those banks, amounting to approximately \$100,000,000,000. The reserve deposits in the Federal Reserve bank against that hundred billion are \$16,000,000,000, and the amount required today in gold, to be held by the Federal Reserve bank against those deposits, is about \$5,600,000,000.

The difficulty is that under the present system of financing the war, by which we have a deficit of \$50,000,000,000 a year, there has been a constant increase in notes and deposits, and that, I think, is an inevitable result of the method of financing the war by deficit financing in the manner we have been pursuing.

The reason for the increase has nothing to do with the gold reserve, or with increasing the gold reserve. The increase in the currency is due to the deficit financing of the war. If we shall continue financing the war in that manner, we will have to allow proper leeway for the issue of bank currency, unless we are to double taxes.

It is estimated by the Federal Reserve bank that if the currency continues to increase at the rate at which it has been increasing, by the end of 1945 there will be outstanding about \$27,000,000,000 in Federal Reserve notes, in addition to the silver certificates, and the deposits in the Federal Reserve bank will be \$18,000,000,000. That would require reserves in gold of about \$17,000,000,000.

Today there are about eighteen and a half billion dollars in gold to be used for reserve purposes. In addition to that, there are some \$2,000,000,000 in the stabilization fund, which is not counted. In addition to currency going up and deposits going up, the gold has been going down. The gold has decreased from about twenty-one billion to eighteen and a half billion, and if that process continues it will be down to seventeen and a half billion by the end of the year. So that we will be right up against the gold limit. We require \$17,100,000,000, we will have seventeen and a half billion at the end of 1945, and we will be up against the situation in which no more currency can be issued and deposits cannot be increased.

Mr. BREWSTER. Mr. President—  
The PRESIDENT pro tempore. Does the Senator from Ohio yield to the Senator from Maine?

Mr. TAFT. I yield.

Mr. BREWSTER. I have discussed this matter with the Senator, but I should like to have it appear in the RECORD that there are obligations in foreign countries which might call for payment in gold, which might make further demand on our gold reserve. As I understand, the Senator from Ohio feels that that is not at all likely to happen, but is it not possible that if we were called upon to pay all the short-term obligations of authorities other than the Government, very large inroads, perhaps to the extent of \$5,000,000,000, might be made on our gold reserves?

Mr. TAFT. Yes; foreign governments and foreigners have in this country today about five or six billion dollars in bank deposits besides holding about \$4,000,000,000 in earmarked gold, which is not counted in the reserves. It would be possible for them to insist that we give them gold for the \$6,000,000,000 of deposits, and transport that gold out of the country, or earmark it. It is not likely that they will try to do that with all of it, but it would be desirable that we have sufficient free gold in these reserves to meet such a demand. That is one reason for reducing the reserve to 25 percent instead of 30 percent. On paper 30 percent would be enough, even if this process continued to the end of 1946, but as a matter of fact we want these countries to be perfectly certain, we would like to have them know, that over and above our reserves there is gold which can be used to pay off their deposits if they insist upon their being paid. If they know it is there, they are less likely to use it, because, as a matter of fact, what they want to do is to keep balances here, they want to buy things here, they want to use it after the war, and unless they become frightened about the policy, it is not likely that they will cash in their obligations.

Mr. BREWSTER. Mr. President, will the Senator further yield?

Mr. TAFT. I yield.

Mr. BREWSTER. Would it not also appear that these obligations which exist are apparently incident to the fact that while we have given away most of our exports under lend-lease—I think "given

away" is as accurate a phrase as any; at any rate, not securing obligations for them—we have meanwhile been paying for a very large percentage of our imports, so foreigners have been able to accumulate these balances here, which is a factor which must be taken into account?

Mr. TAFT. Yes. The reason for the reduction of the gold in this country from about twenty-one to eighteen and one-half billion dollars, that is for reserve purposes, is that South American countries in particular have been selling us goods for dollars, for cash, and we have not had anything to ship them in return. What we have shipped we have shipped to the war areas. We have obtained no exchange for that, because what we have shipped is practically given away in lend-lease, and we have had an adverse balance of trade. In spite of the fact that our exports are \$12,000,000,000 and our imports \$3,000,000,000 we have had an adverse balance of trade for the last 2 years of one and a half billion dollars a year.

When there is added to that the considerable amount paid out to our soldiers and our army of occupation, which amount is gradually being accumulated abroad and sent to New York in order to give the foreign countries exchange in this country, Senators will find the reason why the balances of foreign countries have steadily been increasing and why, to a considerable extent, they have used these balances to draw down gold. So we face a situation in which our gold is decreasing and our bank deposits are increasing. I see no alternative except to reduce the amount of gold reserve required against notes.

Mr. President, I think it might be worth while to picture just what happens when an increase in Federal Reserve notes occurs. The Government goes to the bank first in one of the bond drives, we will say, and in effect the Government borrows the money from the bank. The Government sells the bank a million dollars' worth of bonds, and the bank sets up a million dollars on its books as a Government deposit. Then the Government takes the million dollars and pays it out to some war contractor. It goes into his account, perhaps in the same bank or in some other bank. Then the war contractor decides that he needs money for his pay rolls. He has to pay cash to his employees. So he goes to his bank and says, "I want currency." The bank has only the currency it needs for day-to-day transactions, so the bank goes to the Federal Reserve bank and deposits a million dollars and says to the Federal Reserve bank, "We want currency for this million dollars." Then the Federal Reserve bank goes to the Government, if you please, to the Federal Reserve agent, and they bring \$250,000 in gold certificates—in 1933 we took the actual gold away from them, but they still have the gold certificates—they bring \$250,000 in gold certificates, and they bring \$750,000 in Government bonds; and in return for that the Federal Reserve agent, which is the Government, gives them a million dollars in currency—Federal Reserve notes. They pay that to the bank, and the bank pays it to the

contractor, and the contractor pays it out to his employees. That is what has happened over and over again, and it has resulted in a steady increase in the currency of the country.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BREWSTER. To what extent is the currency outstanding abnormal even under the present greatly inflated income of the country? I think that is a matter which has been giving many people great concern, because currency has risen, as I understand, to \$21,000,000,000 now, and \$27,000,000,000 in currency is in prospect. That would not ordinarily happen if business were conducted with checking accounts, which would be a far more normal way of doing business.

Mr. TAFT. I think the currency has increased in a greater proportion than deposits. But the principal reason for the increase in currency lies in the fact of tremendously increased volume of business which requires more currency. It is also brought about by the Government deficit spending. I think the general opinion is that there is also a considerable amount of hoarding of currency today. There has been a good deal of hoarding of currency ever since 1933. Many people never have recovered their confidence in the banks, and simply hold on to currency.

It was suggested yesterday that the black market has brought about the use of currency. Perhaps it has. I do not know what can be done about it. It is suggested there are too many \$1,000 bills out. Suppose we should call in all the \$1,000 bills. All an expert black-market operator would have to do would be to use ten \$100 bills, and perhaps he would be obliged to rent two safety-deposit boxes in which to place his bills instead of one. I do not know how in any way that would affect the actual black market or the amount of currency which is outstanding.

Mr. BREWSTER. Did it not appear before the committee that there were approximately 40,000,000 \$100 bills in circulation, or approximately \$4,000,000,000 in \$100 bills, which is very abnormal?

Mr. TAFT. I am not certain.

Mr. BREWSTER. I think those were the figures given.

Mr. TAFT. I think perhaps Mr. Eccles testified as to the number of bills outstanding, but I do not remember that. I do remember it was stated there is a rather unusual number of high-denomination bills outstanding, but I do not think there is anything we can do about it.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. MURDOCK. So far as the question of expansion is concerned with which we are confronted by this bill, it makes no difference whether the expansion is by way of increased deposits or increased currency or an increase in both items.

Mr. TAFT. It does make some difference, if the Senator please.

Mr. MURDOCK. It does under the present law, which requires 40 percent

in gold certificates against Federal Reserve notes and 35 percent in gold certificates against deposits. But if the bill under consideration is passed the reserve behind deposits will be fixed at 25 percent.

Mr. TAFT. The 25 percent as against deposits is against the deposits of the member banks, so that on that 25 percent is built a deposit four times as large in the Federal Reserve bank, and on that is built a deposit in some member bank approximately six times as large belonging to the ordinary citizen. So that there are actually against deposits in the bank not 25 percent of gold but only approximately 5 percent of gold. So that if we have more deposits and less cash in circulation we would require less gold as a matter of reserve. If we could induce people to keep the money in the banks, we would not have to have so much gold, even under this bill.

Mr. MURDOCK. I cannot follow the Senator. It makes no difference which way the expansion comes about. We are not talking about member banks. We are talking about the Federal Reserve banks. The currency is interchangeable with the deposits, and if we fix the gold reserve behind deposits at 25 percent, and behind notes at 25 percent, there will be no difference in the reserve situation whether the expansion is in notes or deposits.

Mr. TAFT. I do not think the Senator quite understood me. If I had a thousand dollar bill, the Federal Reserve bank would have to put up 25 percent of gold against that \$1,000 bill, or \$250 of gold.

Mr. MURDOCK. That is true.

Mr. TAFT. If I take that bill to the bank and put it in the bank, then the bank will credit me with \$1,000 and will have to deposit in the Federal Reserve bank approximately \$200 only of my thousand dollars as a reserve, and then the gold will be calculated on the \$200, and the only gold against this thousand dollars of mine in the bank is going to be 25 percent of \$200, or \$50. So that if people would keep their money in the bank we would not need as much gold as we would if they insist on taking it out in currency. I do not think that makes very much difference, but that is the actual fact.

Mr. MURDOCK. Is the Senator talking about a deposit which is made in a member bank?

Mr. TAFT. Yes.

Mr. MURDOCK. Of course, the reserve situation in the member bank is quite different from what it is in the Reserve bank.

Mr. TAFT. Yes; but I am only suggesting one thing, and that is that under this bill it will be necessary to have five and one-fourth billion dollars of gold against our \$21,000,000,000 of notes, but if the people would deposit the notes in the bank and let that money stay in the bank we would not need as much gold as we need now, because we need only about \$1,000,000,000 of gold to support \$21,000,000,000 of deposits in member banks.

Mr. MURDOCK. We should not, in the discussion of this bill, confuse reserves in member banks with reserves in the Federal Reserve bank itself. If the Sen-



ator will examine the testimony of Mr. Eccles, he will find that inasmuch as the reserve notes and the demand deposits in Federal Reserve banks are interchangeable, the reserve situation is exactly the same, and it makes no difference, so far as the reserve is concerned, whether the expansion is exclusively in deposits or exclusively in notes, or a combination of the two.

Mr. TAFT. I do not think the Senator understands. We have \$21,000,000,000 in notes outstanding, and against that, under this bill we must have 25 percent in gold or five and one-fourth billion dollars. Suppose the people should deposit the whole twenty-one billion in banks, and put it in the form of deposits in member banks. The question is whether we cannot somehow reduce the currency. People ought not to be carrying around so much money. Let them put it in the banks. If they put the twenty-one billion in the banks, what will the banks have to do? They will have to go to the Federal Reserve banks and deposit approximately 16, 18, or 20 percent. They will have to put about \$4,000,000,000 in the Federal Reserve banks. Then the 25 percent reserve in gold is figured on the basis of that \$4,000,000,000, and amounts to \$1,000,000,000. So if the whole \$21,000,000,000 in currency were deposited in banks, and were not outstanding, we would require a reserve of \$1,000,000,000 instead of \$5,000,000,000. That is the fact. It is not a very important fact. It tends to show only one very minor proposition, that if we did not have so much currency in circulation, and people would put their money in banks, we would not have to have quite so much in gold reserves.

Mr. CHANDLER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. CHANDLER. I wish the Record to indicate my presence on the floor of the Senate.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. TYDINGS. Mr. President, since 10 o'clock this morning, and up until 20 minutes past 12, the Committee on Territories and Insular Affairs has been conducting a hearing on Puerto Rican independence. The senior Senator from Maryland has been in attendance at those hearings almost every morning for some time. The hearings will be resumed at 2 o'clock this afternoon. The Senator from Maryland will not adjourn the hearings and come all the way from the Senate Office Building simply to answer a quorum call, but he will be present if a vote is taken. I make this explanation so that it may be understood that the Senator from Maryland is diligently attending to the business of the Senate.

Mr. FERGUSON. Mr. President, will the Senator yield?

The PRESIDING OFFICER (Mr. Taylor in the chair). Does the Senator from Ohio yield to the Senator from Michigan?

Mr. TAFT. I yield.

Mr. FERGUSON. First, Mr. President, I wish the Record to show that I am present on the floor of the Senate.

I should like to ask the Senator from Ohio a question. Without the proposed legislation, is the amount of currency now limited to \$21,000,000,000, or is it \$27,000,000,000?

Mr. TAFT. As I stated earlier, we can get along with the present 40-percent reserve through the year 1945. But by the end of this year, if the Federal Reserve notes continue to increase at the same rate, and if we lose gold at the same rate we have been losing gold, we shall reach a point about the end of the year when we shall have outstanding about \$27,000,000,000 in Federal Reserve notes, and we shall no longer have any gold left available to act as a reserve for any further increase.

Mr. FERGUSON. Mr. President, will the Senator yield for a further question?

Mr. TAFT. I yield.

Mr. FERGUSON. With the amount of gold we have today, and which could be used for this purpose, how much currency could be issued?

Mr. TAFT. With a 25-percent reserve?

Mr. FERGUSON. No; with a 40-percent reserve.

Mr. TAFT. That depends somewhat on whether deposits increase in the same proportion. We could increase up to approximately \$33,000,000,000 if we lost no gold. Our present gold reserves are estimated to be about eighteen and one-half billion dollars. If deposits were to increase in approximately the same proportion as Federal Reserve notes, we would be able to issue up to approximately \$33,000,000,000. That would carry us through 1946.

The difficulty is that in the meantime foreign nations may draw down that gold. They have a right to do so. They have dollar balances, and they are selling us goods and desire to be paid in cash. They have been drawing down the gold. Naturally, we do not wish to impair our credit by refusing to pay those bills. We cannot pay them in goods in South America, for instance, because we are not exporting anything to South America.

Mr. FERGUSON. Yesterday on the floor of the Senate I heard mentioned the amount of \$27,000,000,000.

Mr. TAFT. The figures were somewhat confused yesterday. The condition today, speaking as of the first of the year, is that there are \$21,700,000,000 in Federal Reserve notes and approximately \$6,000,000,000 in silver certificates. So the total outstanding paper currency today is in the neighborhood of \$27,000,000,000. But that is a different \$27,000,000,000 from the \$27,000,000,000 in notes, which we will reach at the end of 1945 if the present process continues.

Mr. FERGUSON. I thank the Senator for the explanation.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BAILEY. In view of the colloquy between the Senator from Ohio and the Senator from Utah on the subject of the official percentages of reserves, I invite attention to the official statement which I have before me, and which I should like to read into the Record as a part of the information.

Mr. TAFT. I shall be very glad to have it.

Mr. BAILEY. This is from the Federal Reserve Bulletin for March 1945, in an article on the reserve position of the Federal Reserve banks by Roland I. Robinson, Division of Research and Statistics:

The reserves required to be held by member banks at the Federal Reserve banks amount to about 16 percent of their total deposits. Against these member-bank reserves, the Reserve banks must hold a reserve of 35 percent. The product of these two ratios measures the demand made by member-bank deposits on gold reserves. The ratio is less than 6 percent.

The following is a footnote:

The basic statutory requirement for member banks on net demand deposits is 13 percent for central reserve city banks, 10 percent for reserve city banks, and 7 percent for country banks, with 3 percent on time deposits at all classes of banks. United States Government war-loan balances are not subject to these requirements. The Board of Governors has administrative authority to raise these requirements for any class of bank, or either class of deposit to not more than twice the statutory minima. The prevailing requirements are: For net demand deposits at central reserve city bank, 20 percent; reserve city banks, 20 percent; country banks, 14 percent; for all time deposits, 6 percent. Because of varying distribution of deposits among classes of banks and between types of deposit, the aggregate member bank ratio of requirements varies from time to time but at the end of 1914 it averaged about 16 percent.

Mr. TAFT. I thank the Senator. I think that bears out, in a rough way, the figures which I have stated.

The pending bill would reduce the required reserve on notes and deposits in Federal Reserve banks to 25 percent. In addition, it would do two other things. The amendments of the committee, one of which is now under consideration, would repeal two emergency provisions which authorized the creation of different kinds of paper currency.

Section 3 of the bill provides that there shall be no more so-called Federal Reserve bank notes. Federal Reserve bank notes were authorized in the banking crisis of 1933. They are notes which were issued without any reserve at all. Under certain circumstances they are issued 100 percent against Government bonds or some other assets of the Federal Reserve banks, without any gold. I think a number of them were printed in 1933, but they were not all used. About 2 years ago someone in the Treasury Department found \$600,000,000 or so of them in a back drawer somewhere. He decided that, inasmuch as they had been printed, they might as well be issued. So they proceeded to issue approximately \$600,000,000 worth of those Federal Reserve bank notes printed in 1933. The Attorney General held that the emergency of 1933 had never been declared ended, so the notes could still be issued in 1943. At that time the Senate passed a bill, which I offered, to repeal the authority to do so or to declare the emergency ended, but the House did not pass it. Now, at the request of the Federal Reserve Board, we are proposing to repeal that authority. Also, in section 4, we would repeal the authority to issue

\$3,000,000,000 worth of greenbacks, so-called, which have no gold backing whatever. We would also repeal the emergency authority granted under the so-called Thomas amendment in 1933. Those notes have never been issued.

What we now propose to do is to abolish the authority to issue those two types of notes which require no reserve. We propose to simplify, therefore, the entire currency structure. Hereafter all money would have to be in the form of Federal Reserve notes, and all of it would have to have as a reserve behind it 25 percent of gold and 75 percent of Government bonds or bank paper of one sort or another. Nowadays it is all Government bonds. So the bill would simplify the entire currency structure and would set up what I think would be a sound currency.

As to the reserve of 25 percent, the Senator from Colorado has offered an amendment to provide that the reserve be reduced to 30 percent, instead of 25 percent. The committee considered the proposal to reduce the reserve to 30 percent. The American Bankers Association suggested a 30-percent reserve rather tentatively, although I think it was entirely satisfied with the proposed reduction to 25 percent. Of course, no country in the world has a gold reserve against its currency amounting to as much as 25 percent. I think 25 percent as a gold reserve is adequate. I cannot conceive that people would rush around with their currency to any bank or to the Government or to any Federal Reserve bank, at one time—and demand gold for their currency in anything like the amount of 25 percent. People must have currency for use. People do not act in that way. I very strongly believe that if there were any such tremendous rush, it would swamp a 40-percent reserve just as much as it would a 25-percent reserve. I believe that for all ordinary purposes a reserve of 25 percent would be sufficient, in the sense that it would be available if people demanded gold. That was the old theory of the reserve, namely, that gold would be available to be given to people who demanded it for their currency.

Of course, today we do not give them the gold anyway. I do not at all agree with Mr. Eccles. He testified before the committee that no gold reserve is necessary. He said he was wholly in favor of a managed currency; that he was willing to have a 25-percent reserve, but that it would be just a concession to an outworn prejudice.

I do not agree with Mr. Eccles. It seems to me we should have gold as a reserve against our currency. I myself think we should go further than we go today in paying out gold; but we do pay out the gold when it is needed for export from the United States. As long as we do that, we maintain our credit and our position and we can go on buying goods and materials from South America, if we have to in this crisis, without paying gold for it, merely because we have the gold with which to pay for it. We can thus get along without sacrificing or making concessions, because we actually do have the gold. In the present crisis we have actually

shipped quite a lot of gold to South America.

I think the maintenance of a gold reserve is also important from the psychological standpoint. In the past, inflation of the currency occurred only when people became frightened about the currency and began to believe they had better put their money into land or houses or washing machines or some other things of which they could actually have physical possession. As long as we maintain an actual gold reserve against our currency, I think there is nothing like the danger of having such a psychological condition arise among the people in times of inflation. So I think the maintenance of such a reserve is essential.

However, I cannot understand why a 25-percent gold reserve is not a sufficient one for the currency of our country. There are some other reasons why the reserve should be 25 percent, instead of 30 percent. Strictly on the basis of the books, with a 30-percent reserve, our gold probably would last—even if we were to continue on the basis of our present financing—for approximately 2 years before we would run up against the absolute necessity of changing the reserve again to 25 percent.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. JOHNSON of Colorado. The Senator said a 30-percent reserve would last for approximately 2 years. Does he mean January 1, 1946? It would be 2 years from when?

Mr. TAFT. I mean 2 years from now, I think. However, there are some qualifications in that respect. In the first place, if we required a reserve of 30 percent, some of the individual Federal Reserve banks—because the situation works out on an individual basis—really would have to maintain approximately a 33-percent reserve, or, to put it more clearly, we would have to maintain an over-all reserve of approximately 33 percent in all the banks in order that every bank have a 30-percent reserve. So, as a practical matter, under those circumstances some of the banks would run up against the 30-percent limit before 2 years from this time. They probably would do so in a year and a half, instead of 2 years.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield to me again?

Mr. TAFT. I yield.

Mr. JOHNSON of Colorado. I suppose the Senator means 2 years at the present rate of spending. If the present rate of spending is diminished, if the war is over within the 2-year period—

Mr. TAFT. Then the 30-percent reserve would continue for a somewhat longer period of time. But I make that statement on the basis of one other condition, which is that the reserve is not only affected by increases in deposits and notes, but it is also affected by decreases in gold. In the last 2 years we have lost over \$2,000,000,000 of gold, and we are likely to lose more as long as the war goes on, largely because of our lend-lease policy. Under it we have to give away most of what we export, but what

we import we pay for in cash. Thus we have an adverse balance of trade of approximately \$1,500,000,000 a year.

So, Mr. President, we cannot be sure how much gold there will be. It seems to me there should be a sufficient amount to provide ample leeway. It also seems to me that if the foreign nations which have balances here, which have purchased dollars here, so to speak, or which have earned dollars, wish to transport those dollars somewhere else or translate them into gold or earmark gold, we should permit them to do so in order to maintain our credit. On the other hand, if we were to use all the gold deposits as a reserve behind our own notes, it would not be possible for the foreign nations to proceed in that way. In addition, if they became frightened that they would not be able to continue that policy on their part, they would be more likely to start a rush to change their dollars into gold. So I think it is most desirable to have some leeway.

The Senator has also filed an amendment providing that the reduction in the reserve shall be only temporary, and that after 2 years it shall revert to its former condition. I agree that 3 years from now we probably shall have sufficient gold for a 40-percent reserve. On the other hand, I do not see the necessity for a 40-percent reserve. But I do see a great danger involved in constantly agitating as to what the reserve should be. We only bring up the matter now because the Federal Reserve Board believes it is necessary to bring it up. Hereafter, if we wish to change it we can always do so; but I think it would be unfortunate to have the reserve established at 25 percent and have everyone know that 2 years from now it would increase to 40 percent, and have people become alarmed whether the gold would be available at that time, and make them uncertain whether Congress would extend the period during which the reserve would be 25 percent. Furthermore, the foreign nations to which I have referred would be very likely, when the reserve was decreased to 25 percent, to rush in and get the gold to which they are presently entitled, if they were afraid that later the reserve would be 40 percent and that then they would not be able to get the gold.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. MURDOCK. I am in full agreement with what the distinguished Senator from Ohio is saying. Even though the legal ratio is fixed at 25 percent, if our gold position improves we will have the advantage of whatever it indicates in gold, regardless of the legal ratio which may be fixed. Is that not correct?

Mr. TAFT. I think it is. I think it was pointed out by the Senator yesterday that since 1933 we have had a reserve of 100 percent of gold against our notes. The notes did not increase. The amount of gold reserve does not have any direct effect on the increase in notes until we actually run up against the reserve limit. What would take place if we did not pass the bill? We would



reach our limit. The Government would then try to sell bonds and the banks would say, "We are sorry, but we cannot sell any more bonds because we do not have the necessary cash to put into the Federal Reserve bank which we are required by law to do." So the financing of the war would stop. If a man wished to pay his employees he would go to a banker and tell him that he needed money. The banker would say, "We are sorry; there is no more currency." The first thing we would have would be a fear that there was no money. We would have runs on our banks, and such a condition generally that Congress overnight would probably do something more radical than we are proposing now to do.

Mr. President, what we are doing here is similar to the recent increase in the debt limit. We had to increase the debt limit. We have no choice about this reserve under present conditions. The real cause of inflation is not the increase in the debt limit or the reduction of the reserve—those are the results.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BAILEY. Would not the alternative be taxation?

Mr. TAFT. Yes. The difficulty arises solely from our taxation policy. We are spending \$100,000,000,000 a year. We are raising in taxes approximately \$45,000,000,000 a year. I think we should have raised more than that. I do not think we can raise \$100,000,000,000 in taxes without tremendous injustice being inflicted upon the taxpayers, but we could have raised more money than we have raised so far. Unfortunately, last year there was a fundamental difference of opinion between Congress and the administration as to how additional money could be raised. The result was that additional money was not raised.

Mr. BAILEY. Mr. President, will the Senator further yield?

Mr. TAFT. I yield.

Mr. BAILEY. In view of the low figure of excess reserves at the present time, if we have a new bond issue and we cannot get the banks to increase lending power, the Government will have to carry on the war by increasing the volume of taxes to 60 or 70 percent a year. Am I not correct?

Mr. TAFT. I think the Senator is correct.

I overstated the case when I said there was no alternative. There is no alternative unless we are prepared to change our whole method of financing the war. I do not think we could change it at this time. But I do think that at the moment the war is over we shall have to return to a balanced budget. The only way to stop inflation is to stop the Government deficit. We shall have to think in millions again instead of in billions. We shall have to change our whole viewpoint with regard to spending money. Many persons have said, "We spent \$50,000,000,000 a year for war, why not spend \$50,000,000,000 a year for peace?" We may have to spend that now, but if we continue doing it, or if the war lasts another 4 years, I think we shall inevitably have inflation, or a tremendous increase in taxes.

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. JOHNSON of Colorado. The Senator admits, then, that this proposal is just another arm of the deficit spending program, that it is merely one other phase of it.

Mr. TAFT. It is a result and not a cause. It is the result of the policy which we are following, and the result will continue so long as we follow the policy.

Mr. JOHNSON of Colorado. It is a permission for deficit spending.

Mr. TAFT. That is correct.

Mr. JOHNSON of Colorado. Congress is asked to give its permission for deficit spending by enacting the pending bill.

Mr. TAFT. As a representative of the American Bankers' Association has said, the reserve limit is a red light of danger. He also said that during recent months we got into the habit of going through the red lights. We cannot do that indefinitely without disaster resulting.

Mr. President, it has been suggested that we have effectively handled inflation by fixing prices. Of course, the cost of living has increased 30 percent in spite of the program of fixing prices, and in spite of a very effective control of the situation, and yet today we are bursting at the seams. Real estate values are rising, farm values are rising, and stock values are rising. Apparently, all capital values are going through a course of inflation. The present black market in meat is the result of an attempt to hold the price of meat at a level where it cannot be maintained with relation to the purchasing power which has been created by the policy of deficit spending to which I have referred. Our policy of price control cannot overcome tremendous inflation. The point which I want to make is that we must get away from deficit spending at the very moment we find it is no longer necessary to carry on the war. There is no justification for continuing such a policy except for the necessity of carrying on the war. So far as I am concerned that could be the only justification for doing something which I believe to be utterly and completely unsound.

There is one other amendment which I wish to discuss. The Senator from Colorado [Mr. JOHNSON] has filed an amendment to increase the price of gold. I do not know whether he will press his amendment, so perhaps I will not deal with it fully. I admit that an increase in the price of gold would have the same effect, as to the reserve question, as the passage of this bill, because we would have more dollars in the same gold. It is true that we could maintain our 40 percent ratio and remain in the same condition as before. But the increase in the price of gold has so many other effects that we should consider it seriously. It has the effect of increasing prices. Senators will recall that the Warren Pierson experiment did not increase prices dollar for dollar, according to the percentage of increase in the price of gold, but it did increase prices to some extent. An increase in the price of gold also upsets international trade because it makes it easier to export and much

more difficult to import, a situation which is contrary to the policy we are endeavoring to pursue in building up imports into this country.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BAILEY. The Senator from Ohio referred to the Warren Pierson experiment. The experiment greatly increased the excess bank reserves; did it not?

Mr. TAFT. Yes; and it increased prices to some extent, but not to the full extent which Mr. Pierson expected it would.

Mr. BAILEY. I believe it made money available, as we are now trying to do. But the result of the experiment was to make money available to the banks to be loaned to the people. Here we are attempting to increase reserves in order that the Government may borrow.

Mr. TAFT. The two things accomplish the same purpose with relation to reserve. I am merely trying to point out that an increase in the price of gold affects our imports and exports by a reduction in the gold reserves.

Mr. President, I think I have said everything on the subject that I wish to say. I may add that I believe that a 25-percent gold reserve against currency and deposits is perfectly safe. For various reasons I think it should be provided permanently. I also think that if we are prepared, as the Senator from North Carolina [Mr. BAILEY] has suggested, to double our taxes and raise \$90,000,000,000 instead of \$45,000,000,000, perhaps we can get away with 30 percent; but I do not think that the Senate is prepared to tax in that way, and I do not think it could be done without very great hardship on many taxpayers.

Mr. BAILEY. Mr. President, I do not intend to make a speech on this bill but before the Senator takes his seat I should like to say that I question whether this country can undertake to increase the volume of its revenue.

Mr. TAFT. I think the country could. I suppose we could double the present individual income tax up to a point where it could not be doubled any more because it would be over 100 percent.

Mr. BAILEY. But what we would have to deal with in that event would be wreck and ruin.

Mr. TAFT. It would be a tremendous hardship. I felt 2 years ago that we might add \$10,000,000,000 to the tax bill, or possibly \$15,000,000,000, without serious harm, but that would be about the limit at any time and would still leave a large deficit.

Mr. BAILEY. I think the Senator will agree with me, because he is on the Finance Committee and a very fine student of the subject, that we have put the tax rates so high in what are called the higher brackets, that is on people with incomes of \$10,000 or more, that there is a very serious question whether we can go any further to raise more revenue in the higher brackets. Then let us look at the lower brackets. People with very modest incomes are having to pay from \$75 to \$150 a year, and it is very hard on them. I had an instance here the other day of a man who came to me to borrow some money to eke out his tax

bill. He had all that was needed except \$15. He asked me to let him have the \$15. I knew he was perfectly good, and I said, "How much are taxes anyway?" He said, "My taxes are \$78." I knew his situation sufficiently well to say that it would be an extreme hardship to put another dollar by way of taxation on him. My inclination would be to reduce it instead of increasing it.

Mr. TAFT. I agree with the Senator. Some time ago, if I remember correctly, I said that we could increase the normal tax on corporations perhaps by 10 percent and could increase to some extent the taxes in the brackets from \$2,500 up to \$50,000 and raise, as I thought, perhaps \$10,000,000,000 more.

Mr. BAILEY. We might pick up something in that way; but we have one bond issue right ahead of us, and there will certainly be another one by October, and perhaps sooner.

We still have deficit financing. I am reconciled to that because we are in a great war. I am not for deficit financing when we have normal conditions and I will stand with any Senator here to resist it; but during the war we must finance by way of deficits. Under present tax rates we are receiving about \$45,000,000,000 a year in revenue and spending from \$60,000,000,000 to \$90,000,000,000 a year. Anyone can make for himself the deduction to be drawn from those figures.

Mr. TAFT. I think we are spending about \$100,000,000,000 at the present time.

Mr. BAILEY. I was trying to be conservative. I think the final figures have not come out for the year.

Mr. TAFT. I think expenditures for the last month were eight and one-half billion dollars.

Mr. BAILEY. That makes it just that much worse. We will add to the deficit this year on that basis \$55,000,000,000, and if we increase revenues by \$10,000,000,000 there will still be a deficit of \$45,000,000,000, and we cannot get the \$45,000,000,000 except by way of increasing the excess reserves of the banks by the method proposed by the pending bill. Am I not correct about that?

Mr. TAFT. The Senator is correct. We cannot get additional borrowing money without this method.

Mr. BAILEY. As Uncle Remus said to the little boy, it is a groundhog case. "He was obliged to climb."

Mr. TAFT. I agree with the Senator.

Mr. President, I think the bill should be passed, and I hope it will be passed without amendment other than the amendments reported by the committee.

#### LEAVES OF ABSENCE

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to be excused tomorrow in order that I may attend a meeting of the Association of American State Universities.

The PRESIDING OFFICER. Without objection, the Senator will be excused.

Mr. AIKEN. Mr. President, I wish to obtain leave of the Senate to be absent from tonight until the end of next week, unless some matters of critical importance arise, in which event I shall be available to return on short notice.

The PRESIDING OFFICER. Without objection, leave of absence is granted to the Senator from Vermont.

Mr. CHANDLER. Mr. President, I ask unanimous consent that I may be excused from the Senate for the remainder of the afternoon.

The PRESIDING OFFICER. Without objection, the Senator from Kentucky is excused.

#### AMERICAN COMMUNISTS—HARRY BRIDGES

Mr. WILLIS. Mr. President, I desire to address the Senate for about 20 minutes on another subject than that which we have just heard discussed.

Mr. President, more than 11 years ago a fellow Hoosier, the late Dr. William Wirt, superintendent of the Gary, Ind., public schools, stirred the Nation with a series of disclosures which, he made clear, pointed to a plot by Washington planners to make over the Government of the United States.

Dr. Wirt, at the time he made his charges before a congressional committee, was ridiculed and held up to public scorn. He was smeared by the clever leftists and his name became, in Communist circles, almost a byword. But history has vindicated him and the passing years have borne out to a remarkable degree the truthfulness of the words of Dr. Wirt. We have seen, first through a glass darkly and then clearly, that certain men wanted to supplant American constitutional government with a government founded on communistic principles.

I am not here and now saying, Mr. President, that these men have succeeded or will succeed. The innate love of freedom, the tenacity with which a free people have exercised their freedom of speech, the very bigness of our big country, have made it impossible for us to be taken too far along the road to totalitarianism, although our every move seems to have been in that direction.

There is little doubt in my mind that we have, as my distinguished colleague from Colorado [Mr. JOHNSON] pointed out more than a year ago, gone too far down the wrong road. I have ample proof of this simply by reading the recent statements of American Communists, in which they revealed clearly that they were eminently satisfied with the way things were going.

Now, of course, we have a new President, one of our former colleagues. I do not for a minute believe that he is going to condone or cooperate with American Communists. I have great confidence in the Americanism of President Harry S. Truman and, like every other American, I am going to give him my cooperation and offer for him my prayers that he will rise to the great opportunity for service to America that lies before him.

He revealed, when he was in the Senate, that he was truly American, nourished in the soil of our great Middle West, and I have no reason to believe that he will change at this late date.

But, Mr. President, I do not think that either the new President or the American people can be warned too often regarding the creeping collectivism that has been

growing like a mold in this Nation—no doubt with the aid and comfort of the American Communists and the fellow-travelers, and in spite of all that real Americans could do.

Therefore, not gratuitously, but as a friend and a former colleague, I warn my new President against the insidious wiles of the American Communists and the fellow-travelers who have become imbedded, through the years, in high places in our Government.

Let me recall to the Senate and to the new President that less than 3 months ago, most loyal Americans were disturbed and amazed to learn that the United States Army—which for all the years had refused to let a man serve as an officer who had advocated the overthrow of this Government—had changed its regulations to allow Communists to be commissioned. No one yet has explained who ordered this drastic change of policy, or why.

When news items concerning this new policy of the Army were carried recently, most Americans were chagrined. They said to themselves: "Perhaps this is not true. Let me wait to see what the Army has to say for itself." Then, when the Army spoke, the people were even more chagrined. For the Army—on the basis of the testimony I saw in the various newspapers, reported by the Associated Press, the United Press, and the International News Service—is not only commissioning Communists as officers, it is going so far as to try to excuse and explain away their Communism. It is trying to whitewash the character of men who have, at one time or another, been committed to overthrowing the very Government which the Army was established to defend.

Here is what Earl Browder, president of the Communist Political Action Association, said concerning the new policy:

We are—

He said recently—

gradually breaking down and dissolving the barriers built up against us over a generation of the dominant forces in American society, as is witnessed by the action of the United States Army in abolishing the old discriminations directed against Communists.

We can confidently look forward to even more fundamental and dramatic confirmations of the correctness of the political path which we mapped and entered upon last May in our convention.

There we see, Mr. President, that the Communists can boast of playing a vital part in our affairs. Things were going their way—and they had a right to be proud. But no American has a right to be proud. The Communists know that the present fiscal policies of this Nation can bring only chaos. They can gloat over that fact. But no American should view the approaching storm of inflation with anything except soberness and a resolve to stop it if possible.

The Communists, as we know, thrive on mischief making. They are hoping that all the wild schemes concocted in one or the other of the bureaus are bludgeoned through the House and the Senate, for they love to fish in troubled waters.



Further, Mr. President, it is a matter of public knowledge that pressure was being put on our late President Roosevelt to get him to revoke the deportation order against that notorious Communist, or former Communist—call him what you will—Harry Bridges.

No doubt similar pressures will be put on our new President, Harry S. Truman. Let us believe—let us hope—that he will not yield to these pressures. I trust that he will not, but if he does give what amounts to a go-ahead signal to Bridges and all other American Communists, the new President will do it over the strenuous objection of Members of Congress of both parties, as well as the objections of such organizations as the American Legion and the Veterans of Foreign Wars, and over the protests of our brave soldiers in every part of the world, as well as many patriotic citizens throughout this broad land.

The latest effort to cancel deportation in the Bridges case is based, it appears, on the supposedly grand job he is doing in moving war materials from west-coast ports. The facts do not support the so-called excellent war job Bridges and his underlings are supposed to be doing on the west coast.

Quite the contrary, Mr. President, the facts indicate that the famous Harry Bridges slow-up campaign, begun long ago to spread the work and to increase the number of union men under him, is being continued right down until today, and has continued all during the time we were supposed to have been suffering a terrible manpower shortage.

Let me read to the Senate the following schedule of weight tonnage of cargo lifted per gang in the various ports in the period between July and December 1944, as shown by official War Department reports:

	Tons
Los Angeles, Calif.	12.2
San Francisco, Calif.	12.3
Seattle, Wash.	14.1
New York, N. Y.	16.6
Boston, Mass.	15.0
Charleston, S. C.	15.7
New Orleans, La.	20.5

As is readily apparent to anyone studying these figures of tonnage lifted per gang, the Harry Bridges slow-up stands out like a sore thumb at Los Angeles and San Francisco ports. These figures indicate approximately one-third less cargo moved per gang by west coast longshoremen under Harry Bridges than in the other larger ports, which are unionized, but are not under Harry Bridges.

This is hardly a record to which the friends of Harry Bridges can point with pride. If the President thinks the people of this country will swallow any beautiful words about Bridges' war work in the face of these figures, which come from official sources, he certainly misjudges the intelligence of Americans. And if the Democratic Party believes that the people of this country will not hold a revocation of the Bridges deportation against the Democratic Party, then in my judgment its leadership is sadly mistaken.

Many Democrats, however, see the danger inherent in Harry Bridges and men of his type in the labor movement,

or any other movement, I hasten to say, and to say gladly, just as many Republicans see the danger.

With the approaching end of the European conflict in sight in the not-too-distant future, all the accent will then be on west coast ports as we continue the war against Japan. Instead of the 700,000 tons a month sent from the west coast, the tonnage total undoubtedly will be increased to a million or more tons a month. That increased load will not be handled better under Harry Bridges—it will be handled worse.

The hundreds of thousands of American boys serving in the Philippines, in Iwo Jima, in Okinawa, have a right to expect to get the materials of war in an ever-increasing stream once the European conflict is ended. We will see to it that they get this equipment and the needed reinforcements. But it would be a slap in the face of every American fighting in the Pacific to grant a reprieve to Harry Bridges, who was working to overthrow our American Constitutional Government before this war, and whose efforts toward this end have not diminished, his words and the words of his voluble friends to the contrary notwithstanding.

Mr. President, I think there are few who will disagree with me when I say that Harry Bridges is a Communist. No informed American would say that I was calling him a Communist just to pin a label on him. Harry Bridges certainly would not disagree with the statement that he, at least, once was a Communist. He has admitted as much. Everybody knows that I am not simply labeling someone maliciously and for the fun of it when I refer to Bridges as a Communist, for, if any man ever has been proved to be one, then he is that man.

This question naturally arises in the minds of most Americans who hear the facts in the Bridges case: Why has this man been allowed to stay in this country as long as he has? Why was he not deported back to his native land long, long ago?

The fact is—and everyone knows it—that an American who believed in representative government in similar circumstances in Russia would have been bounced back to America so fast he would not have had time to say Vladivostok, if he escaped with his life. Every Senator knows that it is no reflection on America that some of our newspapermen are persona non grata in Great Britain, or in France, or in various other countries, at one time or another. There are many namby-pamby people who say that sending Harry Bridges back to his native land would be interpreted as a slam against Russia. This would be humorous, Mr. President, if so many people did not fall for such an obvious fallacy. The fact is: Every nation has a right to say who it will, or will not, accept as citizens from other nations, just as every nation has a right to close its borders to this or that newspaperman, this or that business house, or this or that representative of a foreign party.

The answer to why Bridges has been allowed to stay in America so long after he has worn out his welcome cannot be given in one sentence, for a variety of

reasons have contributed to his lengthy overstay.

One reason, I think we all agree, is that the Communists have worked in and out of season to keep him here. There are many Americans who underestimate the power of the American Communists, in my judgment. They are always thinking of present-day Communists in the terms of yesterday's conditions. Back 20 years ago, the Communists were a raggedy-man group in America. They worked in slums and in hobo jungles. That was the period in which cartoonists began depicting Communists as ill-kept, hungry-appearing men with long hair. But today's Communists do not fit that description, Mr. President. They operate in our best drawing rooms, they have elaborate offices with pretty secretaries, and they even go so far as to take advantage of the best capitalistic advertising techniques.

The average American, who is busy tending his farm, or working at his bench, or running his business, has little time to delve into the intricacies of communistic influence, where it is operating, what the current party line is, or how powerfully entrenched the Communists are getting to be. He thinks—mistakenly, I must say sadly—that the Communists of today are in a little group up in New York City, safely cataloged by the F. B. I. and safely isolated so that they can be watched by all who desire to see them.

Yet, we know, Mr. President, that the Communists have scattered and that they have infiltrated into the most respectable organizations in the Nation, including our very Government itself.

No wonder that Harry Bridges is still with us, Mr. President. No wonder.

Another reason why Harry Bridges is still with us, Mr. President, may be the long-suffering of the American people, or perhaps, their lack of knowledge concerning the communistic menace within our Nation.

I would not have anyone think that I get up in the morning worrying about Communists, suffer nervous indigestion at lunch thinking of Communists, and toss abed at night dreaming about Communists. That is definitely not true. But I do not fail, when freedom is at issue in this body, or when important decisions are being made in our land, to try to isolate the Communist germ and to see to what extent it is causing the fatal illnesses that are creeping up on our representative government. I think it would be silly to worry all day about Communists, but it would be just as silly to think that they are no menace and to forget about them. We must watch them constantly, we must fight them constantly, we must expose them constantly.

The Communists do not ever rest in their attempts to overthrow American constitutional representative government. We must never rest in our battle to keep this constitutional representative government functioning.

It is unfortunate that I should have to do so, but there are so many clever propagandists who will claim otherwise that I must now make it clear that I am referring to American Communists. I want to make it clear that I am proud that

our Nation is fighting with Russia in this war and not against Russia. I want to make it clear that I hope that our Nation and Russia can remain at peace—can collaborate—through years and decades to come, for the people of Russia have suffered much, and for them I have nothing but unlimited praise and a great and unswerving respect.

I have the same respect for Great Britain, but I do not want a king in this country. I have the same respect for China, but I do not want America to have a generalissimo who holds power by force and gives up power only when he desires.

If anything I have said is construed as an attack on the people of Russia, or the Russian Government, it will be so construed deliberately and with malice aforethought. My remarks have been directed against American Communists, not Russian Communists. We are proud of our military alliance with Russia, but we want nothing of the Russian system of government, nor do we intend to impose our system on Russia.

And, although it may be superfluous, I renew my pledge to this body and to the people of this country to fight American Communists wherever and whenever they seek to enlarge their power. They have more power than they have a right to have now, and I, for one, will not give one inch of ground to them, or to their willing followers, ignorant or intentional, in either major political party.

Mr. President, I now ask unanimous consent of the Senate that I may be excused from attendance until next Monday, by reason of official business I am obliged to attend to in Indiana.

The PRESIDING OFFICER. Without objection, the Senator from Indiana will be excused, as he has requested.

#### REDUCTION IN RESERVE REQUIREMENTS OF FEDERAL RESERVE BANKS, ETC.

The Senate resumed the consideration of the bill (S. 510) to amend sections 11 (c) and 16 of the Federal Reserve Act, as amended, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment beginning in line 10 on page 4, to insert a new section 3.

Mr. THOMAS of Oklahoma. Mr. President, I should like to have the pending amendment stated for the benefit of the Senate.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 4, line 9, it is proposed to insert the following:

Sec. 3. All power and authority with respect to the issuance of circulating notes, known as Federal Reserve bank notes, pursuant to the sixth paragraph of section 18 of the Federal Reserve Act, as amended by section 401 of the act approved March 9, 1933 (48 Stat. 1, 6), shall cease and terminate on the date of enactment of this act.

Mr. THOMAS of Oklahoma. Mr. President, I desire to make some suggestions with respect to the terms of the bill and the effect of the bill. The bill, if enacted, will repeal two provisions of a law passed in the early days of the present Democratic administration. The bill referred to was passed in May of 1933. It was signed on the 12th day of May of that year. It is known as an amend-

ment to the Agricultural Adjustment Act. It is an amendment which gave the President his vast powers over money. Those powers can be classified in four divisions.

The first power gave the President the right to negotiate with the Federal Reserve System to issue \$3,000,000,000 in Federal Reserve notes to meet maturing obligations of the Government.

The second special power gave the President the authority to issue \$3,000,000,000 of Treasury notes, and to place those notes in circulation.

The third power granted in that law authorized the President to make a wider use of silver. It gave him the power to reopen the mint to the coinage of silver at any ratio the President might have seen fit to prescribe.

In the ancient days a ratio was established between gold and silver of fifteen and a fraction to one. The ratio was popularly called "16 to 1." It was practically that ratio. That ratio was maintained until silver was demonetized. That ratio obtained until 1934 when the President officially devalued the gold dollar and reduced its content from 25 grains-plus nine-tenths fine to 15 grains-plus nine-tenths fine.

The ratio which now exists between gold and silver is something like 30 to 1. But under the law which is on the statute books the President today could fix the ratio between gold and silver and then he could open the mints to the free coinage of such silver dollars.

The fourth power the law gave the President was to revalue gold, which meant to reduce the size of the gold dollar, and by proclamation issued by the President, the weight of the gold dollar was reduced from 25 grains-plus to 15 grains-plus, or, rather, about a 40-percent reduction in the weight and size of the gold dollar.

The official act of the President had the effect of increasing the price of gold from \$20.67 an ounce to \$35 an ounce.

Mr. President, I think the Record should show that the Congress knows what it is doing in passing this bill.

When the amendment was considered by the Senate in the early spring of 1933 a very peculiar situation confronted the country. From twelve to fifteen million people in the United States were unemployed. Business was at a standstill. Prices were so low that producers could not get back the cost of production. The farmers were compelled to sell their wheat at less than 20 cents a bushel in my State of Oklahoma. They had to sell their cotton for less than 5 cents a pound. They had to sell their hogs and cattle at less than 3 cents a pound. Work was nonexistent for laboring people. As a result the price level was very low. The national income was very low, which meant that taxes were not being paid. In those years we could collect only about two and one-half billion dollars a year in taxes. People did not have the money. Individual taxpayers, as well as corporations, pay taxes only on their net incomes. So the citizen having no net income to speak of, and many corporations having no net income, they were not required under

the law to pay income taxes. As a result, the Budget was not met and balanced.

In those days we had to resort to deficit financing in order to obtain money to pay the expenses of the Government. It was under those conditions that this original amendment was offered, and it was under those conditions that the Congress enacted that law. The purpose of the law was to put more money in circulation and to raise the price level. To do so we had to reduce the buying power of the dollar. In 1932 and 1933 the dollar had a buying power of approximately \$1.67. That meant that in order to obtain a dollar to meet his tax bill, or whatever his bill might have been, the citizen had to produce and give up goods or services to the value of \$1.67. People did not do so except when they had to—for example, to keep their property from being sold under foreclosure.

As a result, it was necessary to do something. This was the means which Congress adopted to raise the price level by making the dollar cheaper, so that it would not buy as much. To the extent that the administration used the power granted under the amendment of which I speak, we had an improvement in conditions. The moment the bill was passed it became operative in the public mind. Prices began to rise, and business began to improve. It was better in 1933 than in 1932, better in 1934 than in 1933, and so forth, until 1937.

By 1937 conditions had so improved that the managers of money became alarmed because it was feared that we were reaching a point of dangerous inflation. At that time we had reduced the value of the dollar to about \$1.30. We had raised the price level to about 80. Those who had bonds and credits, and who dealt in exchange—the big banks, and many smaller ones—became alarmed because it was feared that the exercise of those powers might lead to inflation.

At that time I was accused of being an inflationist. While I denied that I was an inflationist, I admitted that I wanted to see higher prices; and to the extent that I wanted to see higher prices, of course, the claim that I was an inflationist might have been justified. But at that time I held as a goal, and have since held as a goal, a 100-percent price level. I wanted to go back to the basis established in 1926. In 1926 the party in power fixed a basis for the value of money and a basis for the price level at 100, with the dollar containing 100 cents in buying power, which meant a price level of 100. That was the price level which was established in 1926, and during what was known as the Coolidge era of prosperity. That was my goal when I offered the amendment in 1933. It was my goal then, and has been my goal ever since, until we attained the 100 percent price level.

As I remember, we did not attain that price level until the fall of 1943. It required a war to get the dollar down to 100 cents, and the price level up to 100. When the price level reached 100, and when the dollar value fell to 100 cents, my goal had been attained. I did not ask for more at that time. I have not



asked for more from that time until this. I am not asking for more now.

We hear it said on every hand that we are now in a spiral of inflation, and that we have vast inflation. Mr. President, I categorically deny that statement. We do not now have serious inflation. Taking 1926 as a basis, in a period of peace 8 years after World War No. 1 had ended, a price level was established at 100. Today the price level is 5 percent above what it was in 1926. It is only 5 percent higher, on the average, today, than it was back yonder in the Coolidge administration, during the year 1926.

Now we are at war. Had it not been for the law which Congress enacted, and which the executive branch has administered, I do not know where the price level would be. It would be much higher than 105. So this bill comes at a time when the conditions are exactly the reverse of what they were when the original law was enacted in 1933. At that time we had a high-valued dollar and a low price level. Now we have a low-valued dollar, worth only 95 cents, and a price level 5 percent above 100. So the occasion for the retention of the two provisions in the amendment of 1933 does not exist. The reason for their enactment has disappeared. We have attained the objective which those two provisions sought to assist in attaining.

Now that we have a price level above 100, there is no particular reason, so far as I know, to keep those two provisions on the statute books; and so far as I am concerned, it is entirely agreeable to me to repeal the power given the President to issue \$3,000,000,000 in Federal Reserve notes and an additional \$3,000,000,000 of Treasury notes.

In 1933 we had only about four and a half billion dollars of money in circulation. At that time we had gold in circulation; we had silver dollars in circulation; we had gold certificates in circulation, and silver certificates in circulation. We had Treasury notes of 1890. We had national bank currency. We had the old-fashioned Treasury notes called Lincoln greenbacks. We had Federal Reserve notes, and Federal Reserve bank notes. In 1933 we had in existence more than 5,000 kinds of national bank notes. So at that time we had actually in circulation in America more than 5,000 different kinds of money.

This administration has sought to correct that situation somewhat by taking out of circulation more than 5,000 kinds of money. The administration has called in all the national bank notes. In those days every national bank had the right to have its own notes issued. It could procure some 2-percent Panama bonds, deposit those bonds with the Treasury Department, and receive in national bank currency 95 percent of the face value of the bonds. The bank could have the picture of its home institution and the name of the town printed on the face of the notes. The bank president or cashier signed the notes. At that time there were more than 5,000 banks in existence, and each bank could have its own money. Most of them did. So there were more than 5,000 forms of national bank notes. Those have been recalled.

As I stated, we had only four and a half billion dollars of all kinds of money in circulation in 1926. Now we have more than \$26,000,000,000 in circulation. There is now in circulation \$26,000,000,000 of real money.

In 1933, when the original law was enacted, part of which it is now proposed to repeal, we had only about \$43,000,000,000 of deposits in the banks of America. At that time all the banks together had only about \$43,000,000,000 on deposit. Now the banks have more than \$143,000,000,000 of deposits. If we add the \$143,000,000,000 of deposits and the \$26,000,000,000 of real money, we have a total of approximately \$170,000,000,000 of money in the banks, in the pockets of the people, and in safe-deposit boxes. Of course, that is very inflationary.

This bill is still more inflationary. Coming at a time when we have \$23,000,000,000 of real money in circulation, and \$143,000,000,000 of deposits—and I am not criticizing it for that reason, because we are at war, and I believe that what we are doing is necessary—I make the flat statement that this is the most inflationary bill that has come before the Congress in 100 years. If any Senator wishes to challenge that statement, I pause for the challenge.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. THOMAS of Oklahoma. I yield.

Mr. TAFT. I would be glad to hear the Senator's reasons. As I stated, I think it is the result of inflation, and not the cause.

Mr. THOMAS of Oklahoma. We are caught at a time when we cannot help ourselves. The Senator from North Carolina made a statement a while ago which explains the matter somewhat. We cannot levy sufficient taxes and sell enough bonds in any one year to pay all our bills. So we have to put bonds in the bank and then authorize the Treasury to write checks against the credit thus created. That is why the sale of bonds is inflationary. That is why we have in the Treasury of the United States deposits in the vast amount of \$143,000,000,000.

Mr. President, there is only one point in the whole philosophy of money about which there is serious controversy. That is whether the issuance of credit money has the same effect upon prices as the printing of currency or the coining of gold. There are in this country a few people who believe that the creation of deposit money has the same effect upon prices as does the printing of currency by the Bureau of Engraving and Printing and placing such money in circulation. They say the issuance of credit money has the same effect on prices as the coining of gold would have. If any Member of the Senate believes in that philosophy, I should like to have him make it known, because I am prepared to show, I think, that those who maintain such a viewpoint are in error.

Credit money is the least inflationary of all the kinds of money we have. Currency money is the next least inflationary. Gold is the most inflationary. I will state my analysis of this matter, and then we can see whether anyone will be able to dispute it.

Under the present law, 1 gold dollar is sufficient to authorize the issuance of \$2.50 of currency. One gold dollar will support \$2.50 in currency. In other words, each dollar in currency has 40 cents' worth of gold behind it. The balance must be in the form of collateral notes or United States bonds.

Very well. The gold dollar is 100 cents. Forty cents of that dollar will back 1 dollar in currency. The next 40 cents will back a second dollar, and the remaining 20 cents will back 50 cents in currency. So today 1 gold dollar will back or support, under the law, \$2.50 in currency.

Under banking practices the banks can draw on their reserves in the Federal Reserve banks and can expand their deposits to the extent of \$10 in credit for every dollar of currency they have on deposit with the Federal Reserve banks. That means that under the present law one gold dollar will sustain \$2.50 in currency, and each dollar in currency will sustain \$10 in credit, which will be \$25 in credit for each \$2.50 in currency. By addition we find that \$1 in gold will back a total of \$27.50.

What can a currency dollar back or support? It is good for \$10 in credit. What can a credit dollar back or support? Actually such a dollar does not exist except in ink on some banker's books. It stands behind nothing. Hence the credit dollar is the least inflationary of all the kinds of money we have. That is the reason why bankers do not especially object to the expansion of the amount of credit money in circulation. But when we start to print notes and place them in circulation, then comes the complaint, because each currency dollar can sustain \$10 worth of credit.

Under the pending bill, \$1 in gold would have to support \$4 in currency. The gold dollar has 100 cents. Twenty-five cents in gold would support a dollar in currency, which means that under the bill, if enacted, \$1 in gold would support \$4 in currency, and each currency dollar would support \$10 in credit. So if the bill is enacted into law, instead of having one gold dollar stand behind \$27.50 of currency, one gold dollar would stand behind \$44 of currency and credit money. That is certainly inflationary. Some years ago I was called an inflationist because I proposed a 40-percent increase in money. The pending bill proposes a 62½-percent increase. I am not complaining, because I think it is necessary. We must either do that or force the Treasury to discontinue the issuance of currency and credit on the basis of the maintenance of a gold reserve.

The authorities who deal with the financial system are of the opinion that if we reduce the gold backing to 25 cents for each dollar, we shall have enough gold to sustain enough currency, and enough currency to sustain enough credit, to pay our bills in this war.

So I am not complaining because the bill proposes to repeal two provisions of my amendment which was adopted in 1933. I am not opposed to the bill which is before the Senate, except I want the Senate to know exactly what it is doing. The bill is the most inflationary one

which has been seriously considered by the Congress in 100 years.

Mr. President, there is only a small amount of gold in the world. We have lost \$2,500,000,000 worth of our gold in the last 3 or 4 years. At one time we had approximately \$23,000,000,000 worth of gold. We now have only a little more than \$20,000,000,000 worth of gold. No one knows how much gold there is in the world. In 1940 the most accurate estimate which could be arrived at by those who had the best facilities for making an estimate was that there was \$28,000,000,000 worth of gold in the world. That was all the gold the experts could locate. In that same year we in the United States had approximately \$20,000,000,000 worth of gold.

The production of gold throughout the world has amounted to approximately \$1,225,000,000 a year. It was not that much in 1944. Probably it will not be that much this year because of a shortage of manpower and a shortage of machinery. Making allowance for the increased production since 1940, the estimate of the amount of gold in the world today which could be used for money is approximately \$33,000,000,000 or \$34,000,000,000. That is all the gold there is in the world. If we have \$26,000,000,000 worth of currency in circulation, we have \$143,000,000,000 worth of credit money in circulation, and there is only \$33,000,000,000 of gold in all the known world.

Mr. President, I suggest that that is not sufficient gold properly to support the currency not only of this country but of all the rest of the world. I know that nations can get along with almost any kind of money within their own territorial limits, and some of them do use practically anything for money. I can show some types of money which are now in circulation in various parts of the world. I hold in my hand what is money in Italy, a lira. That money was printed in the United States. When we went to Europe and entered Italy, we had plenty of that money to give to the boys in our Army and to use in paying our bills there. At that time it was good money. It is good money now, over there, so I understand. It is the kind of money which would be in circulation in this country if Italy had taken over this country or if Germany had taken over this country or if Japan had taken over this country. It is the kind of money we would have in our pockets today if any of those nations had done to us what we have already done to them.

Here is a German 100-mark note. At one time it was good money. It is the kind of money which is in circulation in Germany. In this country it is worthless, and it is worthless anywhere else in the world except in the lands dominated by Germany.

I also hold in my hand some money issued by one of the great cities of the United States. I will not mention the name of the city. It looks like money. Fifteen years ago it served as money; it operated as money in a great city. So I say that, locally, almost anything can be made to serve as money.

Here is a piece of Nicaraguan money. It is a 25-centavo piece. In Nicaragua the unit is worth 20 cents in our money,

so this 25-centavo piece would be worth a fourth of a unit, or 5 cents, in American money. In Nicaragua it is worth a nickel. Here it is practically worthless.

Here is some prosperity currency, issued in one of our neighboring countries. Here is some Mexican money—10 pesos. All this money loses value outside of the country which issues it. Money that is recognized outside of the country or territory issuing it must have something back of it.

Mr. President, at the present time we recognize only gold as backing for our money. There is only \$33,000,000,000 in gold in all the world with which to back all the money of the world. I can see no reason why the countries of the world cannot agree on a policy of using both gold and silver as money. The first dollar ever coined in this country was a silver dollar. The first unit of money ever established in the United States was the silver dollar. We retained the silver dollar from its inception back in approximately 1790, until 1873, as I recall, when silver was demonetized.

Many persons think that the country is literally running over with silver, but that belief is a fallacy. As a metal, silver is scarcer, relatively, than is gold.

Mr. President, since time began, so far as we have any knowledge, we have mined only approximately 10,000,000,000 ounces of silver. Of that quantity a few years ago we had some 3,300,000,000 ounces. The Secretary of the Treasury has testified that he scraped the world and he collected about all the silver that he could find. If he made an honest effort to get the silver, and I believe he did, there is not much more silver left than 3,300,000,000 ounces which we once held.

Mr. President, if that is true, and I believe it is, silver is not a dangerous surplus commodity. It is scarcer than is gold. At one time, silver production was 16 times in weight that of gold, but now it has dropped down to 7 or 8 times the weight of gold. If we have a free economy again, as we shortly will have, and silver is turned loose upon the world market, it is my belief that it will increase in value in terms of gold, so that silver will be worth as much as gold, relatively speaking.

Silver, being so scarce, there is not much in circulation. Neither silver nor gold is in circulation to any extent. Silver is bulky and heavy, and people do not care to carry around with them heavy silver coins. Inasmuch as both gold and silver have been used for money throughout the ages, and inasmuch as the demand for money has vastly increased, there should be a greater production of both gold and silver. If the people are unable to get gold, they want silver. If they are unable to get silver, they want paper, and paper, as a rule, is good only in the country where it is issued.

So, Mr. President, when the Bretton Woods proposals come before the Senate for consideration I shall propose an amendment providing for a wider use of silver in our monetary system. I think that it is necessary that we do something along that line, or reduce the size of our gold dollar. The present gold dollar is too small in its gold content

to be coined. If the present content of the gold dollar were to be measured it would approximate the size of the little fingernail and be not greater in thickness. A coin of such size cannot be handled efficiently.

Mr. President, inasmuch as silver is a precious metal, and inasmuch as it has been used and is being used for money, and inasmuch as silver and gold may both be placed in central banks as bullion, and not as coin, I can see no reason why we should not continue to use our silver along with our gold, as a backing for our currency.

We have found that silver is valuable not only for money, but for other purposes, as well. The war has demonstrated to the world that silver is a valuable war metal. Fortunately, we had a large stock pile of silver at the beginning of the war. It had been accumulated strictly as a result of legislation enacted since 1933. When the silver pile had been accumulated it was not needed for money and the silver was loaned to other nations to be used in their coinage systems and in the war effort.

So, Mr. President, at a later date an amendment will be submitted to the Senate proposing to use our silver on a reasonable and sound basis as a backing for the currency which we must have, and will have, with which to transact our business, pay off our war debts, and sustain this great Republic.

As I have already stated, I have no objection to the repeal of the two provisions of the law which were enacted in 1933. I have no objection to the pending bill because, in my judgment, we must either enact such legislation or force our Government to issue money in spite of the law which now requires 40 percent of gold as a reserve behind each dollar.

Mr. JOHNSON of Colorado. Mr. President, in the spirit in which the Senator from Oklahoma has addressed the Senate, I desire to speak on the subject of the pending measure, my objective being that the country may be more fully informed about the bill which the Senate is asked to enact.

Mr. President, we are approaching the vortex of an economic whirlpool which threatens the future peace and prosperity of our land. The speed with which we are whirling has been so greatly accelerated that we no longer have time to take more than a glimpse at the problems which are pushing us toward deterioration and possible destruction.

The economic factors which influence our lives are being distorted and mutilated day by day to such an extent that confusion holds us in its firm grasp. I realize, as does every other Senator, that the emergency of war compels us to commit extreme acts, but today too many crimes are being committed against the American people in the name of the war effort.

The pattern set forth by the founding fathers in the Constitution of the United States has been tinkered with so much that at times it has become almost unrecognizable. Among the purposes of the Constitution is one which constantly affects all our people. The one to which I address myself at this time has never been amended, but has often been falsely



interpreted and grossly miscalculated. In these times of artificial prosperity we rejoice with reverence for the valor of our fighting men on all the earth's battle fronts. As we await anxiously the finale of the greatest tragedy in all history, Congress is urged to take summary action on a proposal which will prove disastrous in the future unless it be modified.

Mr. President, we Members of the Congress are busy people. Committees are meeting frequently, and for long periods, in the consideration of proposals of great divergency, affecting the future well-being of our people. There is not ample time to give adequate consideration to proposals. It is difficult to weigh their future effect. There is little time for research.

Today we deal in astronomical figures—in billions of dollars—in providing armies and navies, and feeding the peoples of the countries which are over-ridden by degenerate maniacs who have been imbued with false philosophies through which they have sought to control the destiny of the world.

We are living in an age of easy money—excessive paper currency—low interest rates, swelling bank deposits, enormous debt structures, and abnormally high national income. It is no wonder that questionable monetary proposals are receiving so little attention.

Article I, section 8, paragraph 5, of the Constitution provides that Congress shall have power "to coin money, regulate the value thereof, and of foreign coin," and so forth. On November 1, 1893, under this power, a monetary policy was established by the Congress from which I quote the following:

And it is hereby declared to be the policy of the United States to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value, such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets and in the payment of debts. And it is hereby further declared that the efforts of the Government should be steadily directed to the establishment of such a safe system of bimetallism as will maintain at all times the equal power of every dollar coined or issued by the United States in the markets and in the payment of debts (28 Stat. 4, ch. 8).

I wish to invite the attention of the Senate to the fact that the Constitution was adopted by the original 13 States in convention on September 17, 1787. That was 63 years before the first far Western State, California, was admitted to the Union; it was 71 years before Oregon, the second far Western State, was admitted to the Union; it was 77 years before Nevada, the third, was admitted to the Union; and 89 years before my State of Colorado, the fourth far Western State, was admitted to the Union. I mention these important historical facts in order to show clearly that no far Western State had a voice in framing any of the provisions of our great Constitution, including that important one which vested

in Congress the sole power to coin money and regulate the value thereof.

When the law of November 1, 1893, was enacted, there were only four additional Western States added to the Union which produce the precious metals in any abundance. The great preponderance of votes at that time were cast by Senators and Representatives from the East, the South, and the Middle West.

The latest recommendation of the Federal Reserve Board tends to scrap, in part, the monetary policy of our Government, the policy established by our sagacious forefathers after prolonged deliberation. The Federal Reserve System, established only 32 years ago, has as its Chairman of the Board Mr. Marriner S. Eccles, who a few days ago before the Senate Banking and Currency Committee, in reply to a question by the Senator from Utah [Mr. MURDOCK] as to whether, in his opinion, we could very well suspend the gold reserve requirement altogether, answered:

Very, very well. I feel that we certainly do not need to impose on ourselves these reserves; and if we did not choose to impose reserves, we could suspend the reserve requirement altogether, such as the British and Canadians and every other country in the world has done, and they have done it very successfully.

The Senator from Utah said:

I doubt it very much.

Then Mr. Eccles stated:

Very well. I would like to see it done. However, since we have the gold, I am perfectly willing not to argue the logic of it, but to pay that much respect to orthodoxy; but if we can get 25 percent gold reserve, it will take care of the needs for some time to come, and it is acceptable generally to bankers and people who have an idea that there is some mystical form of security in gold. We are the only country left that still has the archaic idea of maintaining a gold reserve back of our currency.

They [other countries] have no need for the gold, and they do have a need for the dollars that it will buy and the goods that those dollars will buy, which is a thing they want in the end.

Mr. President, I cannot understand how a man who occupies a position of such high rank and responsibility can with such profound audacity make such a statement unless he is in possession of conclusive proof. He referred to "bankers and people who have an idea that there is some mystical form of security in gold." I assume we are at liberty to conclude that he implies that the "bankers and people" who agree with him comprise a majority, or at least a substantial proportion, of bankers and people of the United States. We might assume that he could speak for some bankers, but I am very doubtful if he can speak for more than a few personal acquaintances among the people of the United States. The people, in my opinion, once they understood his devotion to printing-press money, would never support his philosophy.

Suppose we examine for a moment a statement made by Mr. W. Randolph Burgess, president of the American Bankers' Association, before the Senate Banking and Currency Committee a

few days after Mr. Eccles made his startling declaration. Replying to a question by the Senator from Utah, "Is it a fair inference from your statement, Mr. Burgess, that you do favor a metallic base behind our currency?" Mr. Burgess said, "I do." He then added:

You see, I have had large banking experience, but the thing I come back to in the long run, and the thing I think was omitted from Mr. Eccles' testimony, if I might say so, is the human reaction involved.

If the chairman will permit me, I would like to say that when the Social Security Act was passed, providing for pensions and for unemployment insurance, millions of people throughout the United States were relieved from worry, were relieved from concern about their future, which is to explain that it had great human value.

Now, I want to suggest a very radical thing—

Continued Mr. Burgess—

and that is that gold has a social-security value, because it relieves people of worry, is a guaranty of the integrity of their money. It means that the bondholder knows his money at least has something back of it that is going to hold the price so it won't become worthless. I am a hard-money person.

I would call the statement of Mr. Burgess conservative in comparison with the declaration of Mr. Eccles. Mr. President, a few years ago the same chairman of the Federal Reserve Board complained because of the excess reserves that were at that time being built up as a result of large acquisitions of gold and silver. Now we find that we are short of gold; that is, we do not have enough gold to serve as adequate backing for the paper money issued by the Federal Reserve System. One of the reasons for this shortage of gold is the closing of our gold mines in 1942 by the War Production Board.

At the time when there was never a greater need for expansion of currency and credit in the United States in order to finance the production and transportation of our colossal war munitions and materials program needed by our armies and navies and by our allies, the War Production Board very stupidly determined that gold production must take a holiday. This short-sighted policy is the result of impulsive consideration and action and lack of coordination with the fiscal and monetary authorities who must have foreseen the necessity for a great expansion of currency and credit in order to finance the war. There being a shortage of men for the production of copper, it was decided to stop gold production so that gold miners could be made available for copper production. That was a grand theory, but it did not work. Not more than 10 percent of these gold miners thus thrown out of work actually went to work in copper mines. Most of them found employment in shipyards and munitions plants, where higher wages and better working conditions prevailed.

This war cannot be won without men, materials, and money. If we are going to weaken our paper money by diluting it—that is by reducing the amount of gold behind every dollar from 40 to 25 cents—we will be following a course that

will lead, as I stated before, to deterioration and destruction.

Mr. BAILEY. Mr. President, the point the Senator has just made is that those stocks are reduced because we suspended operations in the mining of gold. I have the figures here. Our domestic production of gold has never been more than \$170,000,000 in a year, and as late as 1942 it was \$125,000,000, in 1941 it was \$170,000,000, and in 1934 it was only \$92,000,000. I do not see that the resumption of the mining of gold would add a great deal to the gold stock.

Mr. JOHNSON of Colorado. It would add something.

Mr. BAILEY. It would add a little, but not a drop in the bucket compared with what we need.

Mr. JOHNSON of Colorado. That, of course, may be; but every bit deleted from the gold supply makes the situation that much worse. It is one of the contributing factors.

Mr. BAILEY. It is one of the small contributing factors. It amounts to about \$100,000,000, and the gold stock at the present time is \$20,000,000,000. If the Senator will figure that in terms of percentage, he will see that it is not 1 percent.

Mr. JOHNSON of Colorado. But it is an annual deletion. Over a 4- or 5-year period it would amount to a good deal. As I understand, the world produces about a billion and a quarter dollars in gold a year. About one-fourth of that is produced on the North American Continent.

Mr. BAILEY. I may say to the Senator that the net gold imports run from \$1,133,000,000 to as high as \$4,000,000,000, in 1940.

Mr. JOHNSON of Colorado. That, of course, was not from current production; that was from accumulated supplies of gold.

Mr. BAILEY. I was speaking just now of the domestic gold production, and my point is that if the mines had been operating at full tilt from the very best estimate we would not have gained over \$400,000,000 in gold in the last 4 years. Four hundred million dollars in gold is what percentage of \$20,000,000,000? I shall not figure it, but it is a very small percentage.

Mr. JOHNSON of Colorado. I think it is probably a great deal more than the Senator estimates.

Mr. BAILEY. The figures are not estimates; this is an analysis of changes in the gold stock of the United States, found on page 242 of the Federal Reserve Bulletin. It is official; it is not an estimate.

Mr. JOHNSON of Colorado. If the Senator will multiply a billion dollars of gold by two and a half, he will see that it runs into a considerable amount of currency.

Mr. BAILEY. If we multiply it by 10 it is still more.

Mr. JOHNSON of Colorado. Yes; but the law provides for multiplying it by two and a half, the reserve being 40 percent.

Resuming the thread of my discourse, this war will result in the deterioration of the moneys of many countries and the total destruction of others. We must not allow that to happen to the best

money in the world, the United States dollar.

Let us examine another phase of this proposal. There is no interest charge on the gold that backs Federal Reserve notes and deposits. If the amount of gold backing is reduced, it will be necessary to fill up the gap with interest-bearing collateral, the interest on which would result in another burden upon the already overtaxed public. Who gets the interest? The Federal Reserve banks. Their subsidy would thereby be increased.

It may be that Mr. Eccles realizes that the Federal Reserve System would be criticized, and justly so, for recommending such an increase in the already large Government subsidy in behalf of banks, for he stated before the Banking and Currency Committee, when that question was raised:

If you wanted to, you might very well issue them without anything back of this currency, anything back of the Federal Reserve, as I have advocated for a long time, and as I did advocate when the Banking Act of 1935 came along, that we eliminate the collateral. It passed the House at that time.

Mr. Eccles, therefore, recommends that our currency be issued on a fiat basis, without gold or collateral, the kind of paper money which Germany issued after World War No. 1 and which led to complete destruction of its money and to repudiation of its reparations and all other obligations.

Mr. Eccles continued:

We are practically the only country in the world that really requires collateral back of Federal Reserve notes at all. So, if you want to, why not cut off the collateral, the Government bonds back of the money, and go ahead like almost every other country in the world does. It is a serious waste of money and an entirely unnecessary one.

Why have gold or collateral back of your currency? This is the currency of the United States Government, and they are the backers of that money. Why have any collateral back of that?

I agree with my colleague the Senator from Colorado [Mr. MILLIKIN], who said:

I must take issue with you, I think, Mr. Eccles, when you argue that the monetary unit, whatever it may be, can be pushed around in the stratosphere independent of its own value, that you are arguing—I say most respectfully—economic nonsense.

Upon further examination I find that Mr. Eccles stepped so far out of bounds as to state that gold and collateral are a handicap to our paper currency, when he said:

As a matter of fact, the fact that we have back of our currency gold or securities in no way aids this country.

Then he made this statement, which he afterward deleted:

But I think it has been detrimental in that it has hampered the proper handling of that currency. Whether or not you have backing to your currency in no way restricts the issuance of the currency—it in no way restricts its issue. I want to emphasize that.

I want to emphasize that. The Chairman of the Federal Reserve Board has even deplored the fact that we have gold and Government bonds back of Federal Reserve notes.

Mr. President, can we sit idly by and countenance this absurd concept of futuristic monetary degeneracy? Most of us remember full well the cataclysmic result of Germany's financial collapse following World War No. 1. Of course, there is a difference of purpose. Germany's economic downfall was premeditated.

I will not accuse Mr. Eccles of having any such ulterior motive. I simply do not believe his judgment is sound. I certainly do not want to have remain in his hands the management and control of the money issue of the Federal Reserve System without gold and collateral security to support it.

By contrast Mr. Burgess, when asked the question, stated that the fact that the dollar is the most desirable and best money in the world today is largely due to the gold backing behind it and to our marvelous productive capacity and our democracy.

When asked if he agreed that if we should ever reach the point when we no longer have a metallic reserve at all the Government might still issue its own money, he said:

Yes. I think that a part of the whole question is a drift toward totalitarian government throughout the world. One of the questions in connection with that is money management and exchange control; and if you can control that you can control the lives of the people.

Mr. Eccles states that:

Confidence in Federal Reserve notes is well established, and whether the amount of gold back of the notes is 40 percent or 25 percent makes no practical difference. As a matter of fact, the public accepts and has accepted Federal Reserve bank notes without any differences.

He seems to lose sight of the fact that the public has not had an opportunity to pass judgment on his proposal to change the requirement for 40 percent gold and 60 percent collateral behind Federal Reserve notes. How is he in a position to judge as to what the public thinks of his proposal to reduce the gold reserve to 25 percent and to increase the collateral backing?

He is not in touch with the public. He deals only with banks, and I have already shown that Mr. Burgess, a practical banker and president of the American Bankers Association, is not at all in accord with him on this and other more vital points.

Mr. Burgess stated, "I think gold is of very great value" as backing for our currency, notwithstanding the fact that the guarantee of the Government is also behind it. He said:

History down through many generations is to the effect that people do not trust their governments 100 percent, and they like to have safeguards.

I should like to know if Mr. Eccles has ever circularized the banks of this country on the question of metallic reserves, and with what result. It would be interesting if Dr. Gallup were to take a poll of the people on these two questions:

First, Do you consider it necessary or advisable to have gold and collateral be-



hind Federal Reserve paper notes for reasons of security?

Second. Would you have the same confidence in Federal Reserve paper money if neither gold nor Government securities support it?

Mr. President, unless the Congress places some restraint on the Federal Reserve Board Chairman in his effort to dethrone gold from its traditional pinnacle of confidence and usefulness, I very much fear that its failure to do so will be construed as a capitulation and an indication of their willingness to experiment in managed currency, which is, in my opinion, foredoomed to failure. Until a little over 10 years ago our currency was redeemable in gold. Are we willing to conclude that our experience during the last decade has proven that we no longer need gold reserves to support our paper money? During that entire period our budget remained unbalanced. Our expenditures greatly exceeded our receipts, resulting in an acceleration of our program of deficit spending. Our indebtedness has expanded almost to the breaking point.

Mr. Eccles referred on two or three occasions during his recent testimony before the Banking and Currency Committee to the fact that Great Britain no longer requires gold reserves behind its paper currency. He failed to state that Great Britain is today insolvent and is facing the greatest trial of its existence in an effort to recover its economic equilibrium. Indeed, its position is nothing short of precarious. Are we to pattern our currency system after that of the British Empire? The internal economy of Britain can only lead to further repudiation of her obligations. Germany has no gold reserves either. Should we follow Germany's lead? If Great Britain had sufficient gold today she would no doubt be very proud of the fact, and would not fail to remind the world of the possession of such an asset. If Great Britain had the gold today, she could cancel much of her blocked sterling which hangs so heavily over her head in India, Egypt, and elsewhere.

We sympathize greatly with our friend and ally, but I do not accept the fact that because Britain is short of gold she would overlook any opportunity to acquire every ounce obtainable and to employ it as a reserve to support the pound sterling. Nor is her predicament to be confused and regarded as any criterion after which we should pattern our currency system. In the first place, let us see whether Great Britain has lost her interest in gold. I will read two brief paragraphs from the Economist of January 20, 1945, which indicate that Great Britain is exerting very strenuous efforts to get her hands on as much gold as possible. We are aware of the fact that the Economist enjoys a close tie-up with the British Government and may be relied upon to express the official views of Downing Street on banking and financial matters. Its comments are as follows:

Many of the recent commercial and financial discussions between the British and French Governments have hinged on the extent of France's willingness to pay in gold for part, at least, of its past and accumulat-

ing obligations to the sterling area. The hinge has proved extremely stiff, and little progress is as yet to be reported. The French Government wishes to place considerable orders for raw materials, foodstuffs, and manufactured goods in the sterling area. Assuming that the goods and the required shipping are available, the next problem is that of payment. The French wish to make their payments in sterling, of which they have accumulated certain reserves as a result of the measures for mobilizing French private assets abroad. The British have hitherto insisted that part of the payment for current purchases should be made in gold, and have furthermore suggested that certain earlier debts, notably that arising from the operations of the Reynaud-Simon agreement, should be met in gold.

According to the latest Bank of France return the unencumbered French gold reserve is equal to £427,000,000. The British case is that some of this reserve should be put into the common pool, and suffer some of the fate that would have overwhelmed it had there been no armistice in 1940, and had the French gold and foreign assets not been frozen by the Allied authorities. Britain, which ran its gold and dollar balances to within a few million of complete extinction when lend-lease came to the rescue, argues that some of its gold was spent in French as well as British interests and that a small part of the loss might now be made good from the substantially intact French reserve. The argument is reinforced by the fact that to give France facilities to pay for substantial imports from the sterling area by drawing on sterling balances might be construed as discrimination in favor of France, and against far more substantial holders of abnormal sterling. The French counterargument is that France has suffered both physically and morally far above Britain's measure, and that the whole of the available gold will be needed to finance urgently needed imports from hard currency countries after the war.

It would be interesting to ask Mr. Eccles whether it would make any difference whatever in the stability of a currency of a foreign nation if that country had and maintained a gold reserve of, let us say, 40 percent. Or, I should like to ask him if in his opinion a foreign country's currency which had no gold backing would be just as acceptable as one which does have gold backing. I should also like to ask him whether he would place the same confidence in the future currency of Germany if there were ample gold backing on the one hand and no gold backing on the other. Most certainly he would have greater confidence in the future currency of Germany if it were backed by gold. I cannot understand why any sound person, whether he be educated in monetary economics or not, would hesitate to give preference to a currency that is backed by gold in contrast with one that has no metallic backing. In my opinion, a currency, in order that it may enjoy the respect and confidence of other nations, must have more than its government's stamp. It must be more than the product of the printing press. It is true that the government's stamp gives it a status of legality and genuineness, but the additional backing by gold gives it an intrinsic value which it otherwise does not possess.

Mr. President, there is much speculation about returning to the gold standard on a world basis. This question was discussed briefly by Mr. Burgess a few days

ago at which time he stated in reply to a question propounded by the Senator from Arkansas [Mr. FULBRIGHT], "If I had to guess, I would say that it would come back to something that looked a great deal like it." He admitted that the British and other governments are stating very positively that they are not going back to the gold standard, and he added:

But the British have built up their position in world trade and in banking with the pound based solidly on gold, and that had a fixed value. If the United States of America pins its dollar to gold solidly, as I believe it should, the British are going to find that their position in world markets is slipping. So they will find themselves pinning their own pound to gold. I can see now why they cannot commit themselves. If I were an Englishman, I would not make commitments on exchange because they have a very hard problem to work out. We are leaders. We have money and can lead the way, and if we lead the way we will find a lot of other people following us.

Unfortunately, there is much disagreement among monetary economists. Even among the economists who advocate a return of the gold standard, there will be found differences of opinion as to the kind or character of gold standard they prefer. We are operating today on a quasi-gold standard due to the elimination of the redemption feature. I personally favor the gold standard with full redemption of paper money in gold coin. I think gold coin should be circulated, and that our people should again receive the full benefits of the gold-redemption standard with its attendant stabilization of currencies and confidence it inspires among the people.

Some economists have doubts as to the workability of the gold standard and have been apprehensive of its practicability. They have been influenced to a great extent by the deterioration of world economic stability due primarily to the great depression and World War No. 2. Again, they seem to feel that because various governments have suspended gold redemption of their paper currencies, such occurrence has been concluded as adequate reason for doubting the wisdom of reinstituting gold redemption. Because they no longer see gold coin in circulation, they are inclined to believe that currencies can be managed successfully on a paper basis. Time will prove their error.

Another argument against the return of gold redemption has been predicated on the abnormally large concentration of gold in the United States, which has been regarded by some as a plot on the part of foreign countries to dump their gold in this country. They probably thought that our large gold holdings would eventually lend discouragement to those of us who advocate a return to a gold-redemption standard. As a matter of fact, it is the one thing that promotes the greatest confidence in our currency. It must be borne in mind that during the past 2½ years more than \$2,000,000,000 of our gold has found its way into the possession of other countries in the settlement of our trade balances. Why should these other countries prefer gold

to our dollars? That is a question which seems to me primary and fundamental.

Mr. President, I now desire to offer three amendments limiting or modifying the effect of the bill as reported by the committee. I send forward the first amendment and ask that it be stated.

The PRESIDING OFFICER. The Chair is advised by the Acting Parliamentarian that there is a committee amendment pending. Consideration of the Senator's amendment at this time would not be in order.

Mr. JOHNSON of Colorado. What amendment is pending?

The PRESIDING OFFICER. The committee amendment inserting section 3, on page 4.

Mr. JOHNSON of Colorado. I was advised by the Senator in charge of the bill [Mr. WAGNER] that my amendments would be in order. If he has no objection, I ask unanimous consent that my amendments be considered at this time. They will not conflict with the amendments of the committee.

Mr. WAGNER. I have no objection.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Colorado for the immediate consideration of his amendments? The Chair hears none, and the first amendment offered by the Senator from Colorado will be stated.

The LEGISLATIVE CLERK. On page 2, line 11, it is proposed to strike out "25" and insert in lieu thereof "30."

On page 2, line 23, it is proposed to strike out "25" and insert in lieu thereof "30."

On page 3, line 2, it is proposed to strike out "20" and insert in lieu thereof "25."

On page 3, line 3, it is proposed to strike out "20" and insert in lieu thereof "25."

On page 3, line 5, it is proposed to strike out "20" and insert in lieu thereof "25."

The PRESIDING OFFICER. Without objection the amendments will be considered en bloc.

Mr. JOHNSON of Colorado. They are all part of one amendment and could not be separated, so the suggestion that they be considered en bloc is quite proper.

The effect of this amendment is to reduce the gold reserves from 40 percent to 30 percent instead of from 40 percent to 25 percent, as is provided in the pending measure.

Mr. Eccles admitted in his testimony before the Senate Banking and Currency Committee that the gold reserves would probably be sufficient to provide 40 percent backing for Federal Reserve notes and 35 percent for deposits until the end of 1945. That is, we could continue to operate as we are now operating, on the present ratio, and at our present rate of spending, until January 1, 1946.

It was also ably argued by Mr. W. Randolph Burgess, president of the American Bankers Association, that a reduction in the ratio of reserves to 30 percent against Federal Reserve notes and deposits would probably take care of the situation until the end of 1946. Undoubtedly, therefore, there is no need for a reduction to 25 percent at this time, nor will there

be for more than a year and a half. It will not be necessary to so reduce the gold reserves at that time unless the war is in full progress on all fronts—that is, unless the spending continues at the present rate of approximately \$8,000,000,000 a month. For the current month it is slightly more than \$8,000,000,000.

I doubt if there is a Member of Congress who does not believe that the war will end in all theaters by December 1946. Certainly no one doubts that the end will come in Europe before the expiration of 1945. As soon as the European phase of this war is ended, which I hope will not be many weeks away, the demand for currency will drop rather sharply. Pay rolls will begin to shrink, unemployment will increase, and there will begin a general contraction of our wartime economy which will continue for 6 months until it reaches a point somewhere between 30- and 50-percent reduction in our war-production program. When the war in the Pacific terminates, the demand for currency in circulation will be less than 50 percent of present requirements.

Granting that the arguments of Senators who are sponsoring this proposal are sound, and that it is necessary to reduce the ratio, I contend that it is not necessary to reduce it all the way down to 25 percent. If it is not necessary to reduce it to 25 percent, then we ought not to do so. If the war effort is not going to require us to go that far down the scale, we ought not to go that far down the scale. We ought to leave all the barriers that we can against inflation, and against deficit spending in the postwar period. As the Senator from North Carolina [Mr. BAILEY] stated in his colloquy with the Senator from Ohio [Mr. TAFT] a few moments ago, the required ratio acts as a barrier against deficit spending. At least, that is the way I understood his argument.

It seems to me that we should leave this red light up. It is more than a red light. The Federal Reserve System cannot pass through that light. It is an actual stop. The Federal Reserve System does not have the choice of running through the red light. It is stopped by the red light, and I think it should be stopped by it.

During the war, when we have no choice in the matter, we are willing to do certain things that we cannot help doing. But after the war there will be a continued great demand for deficit spending; and when we authorize the reduction down to 25 percent, we are authorizing a campaign of deficit spending in the postwar period. I think we ought not to do so.

Let us see what Mr. Burgess had to say about this. He stated:

A 25-percent reduction would leave you with \$9,000,000,000 of excess reserves in the Federal Reserve System. That means that much gold that was not needed beyond what was needed on 25 percent reserve against deposits and notes.

The amount of expansion that might be based on that is \$36,000,000,000, expansion of currency and deposits of the Federal Reserve System. The present amount of notes and deposits is \$38,000,000,000, and a drop to 25 percent would leave you in position to double your whole structure, assuming you did not lose any gold.

Mr. President, is it necessary to go that far? I claim it is not necessary. There are no figures to show that it is necessary. No figures have been presented by the committee to convince me, at least, that we need to go so far as a reduction to 25 percent.

I read further:

If you lost a billion dollars of gold, you could increase it \$33,000,000,000, compared to the present \$38,000,000,000. If you lose \$2,000,000,000 of gold, you could increase it to \$30,000,000,000. That is the position if you go to 25 percent. If you go to 30 percent, you would have excess reserves of \$7,000,000,000. On that an expansion could be based of \$23,700,000,000, as compared with the present \$38,000,000,000.

Is not \$23,700,000,000 sufficient? I think it is a rather large step, and it is a step beyond which we should not go at this time.

I quote further from Mr. Burgess:

If you lose a billion dollars of gold, it would leave you with \$21,000,000,000 expansion. If you lose \$2,000,000,000 of gold, it would be \$19,000,000,000 of expansion. It all depends on when the war ends. At the present rate of expansion that would carry you for perhaps 2 years. To my mind it is just a question of whether, with this terrific expansion of credit going on, you do not think you would like the Reserve System to come back to you for added authority before they reach that point. That is the whole question.

That is what Mr. Burgess said. I have heard the Senator from Ohio and other Senators rise on this floor and deplore the fact that Congress was delegating its powers to the governmental bureaus. That is exactly what the Congress would be doing under the pending bill.

We know we have had to delegate powers to governmental bureaus during the present war. They have had to exercise them. But under the provisions of the pending bill we would be going far beyond the period of the war; we would be entering the postwar period, and we would be delegating the authority of Congress to the Federal Reserve Board—a power which, in my opinion, it should not have.

Mr. LANGER. Mr. President, will the Senator yield for a moment?

Mr. JOHNSON of Colorado. I yield.

Mr. LANGER. Is the Senator discussing all three of his amendments, or merely one?

Mr. JOHNSON of Colorado. I am discussing the amendment which now is pending, namely, the one to reduce the ratio from 40 percent to 30 percent, instead of from 40 percent to 25 percent.

Mr. LANGER. The Senator is now discussing only that one amendment; is he?

Mr. JOHNSON of Colorado. Yes; I am now discussing merely that one amendment. I shall take one at a time.

Mr. President, Mr. Burgess further said:

I think the arguments are two: one is the question of whether it is desirable to have the Federal Reserve System come to you from time to time to review what they are doing in the face of the huge credit expansion, so that you may take a look at the picture.

Do we want the Federal Reserve System to come back to Congress, or do we want to give it a blank check? The



latter is what the pending bill would have the Congress do.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I yield.

Mr. TAFT. I think the Senator misunderstands the situation in which the Federal Reserve Board would be. It would have no power. Under certain circumstances there would be an automatic expansion. If we created purchasing power, the Federal Reserve Board could go to the banks and get money for what was given them, of course. The Federal Reserve Board would have no discretion about it, one way or the other.

The only question is whether we are going to stop the issuance of notes on the basis of a 30-percent reserve. If we should do that the reserve would not last quite so long as it would if the reserve were 25 percent. We cannot tell how long our gold supply would last if the reserve were 30 percent, but no doubt it would suffice for the present. Probably it would carry us through 1946, unless there were an increased draft on our gold supply. We could not control that. But there would be no discretion as to the issuance of the notes.

Mr. JOHNSON of Colorado. Yes; there would be.

Mr. TAFT. If the Board reached the limit, it would have to come back to Congress. But that would serve the purpose of calling attention to the fact that expansion had gone on and that we were getting closer to the danger point every moment. I agree that is true. That is why I was doubtful whether the reserve should be 25 percent or 30 percent. But it seems to me a 25-percent reserve is a sound one, that the system will be sound with it, and that we may well make the reserve 25 percent, and be through with it for all time, I hope, so that we shall never have to make a further change.

Mr. JOHNSON of Colorado. The Senator has said that no restriction would be placed on the Federal Reserve Board if the reserve were set at 25 percent. That is not so.

Mr. TAFT. No; I said the Federal Reserve Board would have no discretion in the matter. The Federal Reserve Board would not have authority to decide, "Well, we will issue some more currency," or "We will not issue some more." The Federal Reserve Board would not have authority to make such a decision.

Mr. JOHNSON of Colorado. But the Federal Reserve Board would have authority to do it.

Mr. TAFT. The Federal Reserve Board not only would have the authority to do it, but would have to do it, up to the point beyond which it would violate the restriction placed by the Congress.

It is not like a delegation of authority. The provision would go into effect automatically, not because of what the Federal Reserve Board might do, but because of what the Congress would have decided in respect to having the country continue to operate on a basis of deficit financing.

Mr. JOHNSON of Colorado. Of course, if we are going to indulge in a

continued deficit-spending spree, and if we grant the Federal Reserve Board this power, we can go right ahead; but if we try to indulge in a spending spree and if we do not grant the Federal Reserve Board this power, the administration will either have to say "You must come across with more taxes" or "You must lower the Federal Reserve requirement." That is a question which we should leave alone at this time; it should be decided in the future. Decision will have to be made in the future whether the tax basis shall be boosted or whether we shall continue to go down the road of deficit financing faster and faster, at an accelerated rate, toward printing-press money.

Mr. TAFT. I suggest that the best time to determine that is when in the future we consider the debt limit. It seems to me that the debt limit is much more the key to the situation than the amount of currency is. Currency results from business conditions and from the fiscal policy of the Government. But when we reach a debt of \$300,000,000,000, authority for which we granted the other day, that will be the time to consider the question.

As a warning I do not think the pending proposal is necessary. I think the size of the debt is a much better warning rather than a restriction which might cause serious difficulty in stopping the supply of money required for the actual conduct of the war and for business.

Mr. JOHNSON of Colorado. Of course, there is no question that the debt limit is one step. The pending measure is also a definite step. In spite of what the Senator from Ohio has said, I say the pending measure is a definite step, and the Federal Reserve Board would not be able to continue without coming back to Congress and requesting further authority. When that happened, we could consider the situation again, and could decide whether we would continue to go down the road of deficit spending without halt, or whether we would increase taxes, whether we would balance the Budget, or what we would do.

Mr. Burgess further said:

And the other question is the old psychological one of human reaction, as to whether this drop to 30 percent is a little less of a shock to people than a drop to 25 percent.

I think you ought to have at least 30 percent. I think you ought to give the Federal Reserve System a good leeway to operate in. My personal choice would be 30 percent, because I think that gives you an adequate margin.

Mr. Burgess said that that was a sufficient leeway to carry us through the war. When we get through the war we shall be confronted with a different situation. The Congress will be sitting then, and it can meet the problem confronting it.

I, therefore, see no reason why there should be any need to reduce the gold-reserve requirements below 30 percent for both Federal Reserve notes and bank deposits.

I now accordingly offer my amendment and ask for its immediate consideration. I shall have other amendments to offer later.

Mr. TAFT. Mr. President, a point of order.

The PRESIDING OFFICER. The Senator will state it.

Mr. TAFT. Have the committee amendments been disposed of?

The PRESIDING OFFICER. By unanimous consent the amendment of the Senator from Colorado [Mr. JOHNSON] is now the pending question before the Senate. Consideration of the committee amendments has been deferred.

Mr. JOHNSON of Colorado. Mr. President, I asked that my amendment be now considered, and consent was granted.

Mr. TAFT. I wonder if we could not get the committee amendments out of the way first?

Mr. JOHNSON of Colorado. Yes; but I would rather get my amendments out of the way first. In any event, the Senate has decided to handle the situation in the manner stated by the Chair, and it seems to me that that manner is as good as any.

Mr. MURDOCK. Mr. President, in answer to the distinguished Senator from Colorado, in arguing for his amendment it seems to me that he has attempted to turn the situation as it exists entirely around. The Congress of the United States supplied for deficit spending—if the Senator wants to call it that—tremendous appropriations which were absolutely necessary in order to finance the war. We have imposed a burden on the Federal Reserve Board of supplying to the Federal Treasury the money to cover our appropriations. The question is not one of Governor Eccles, or other members of the Federal Reserve Board, coming to the Congress and saying to us, "We want this power so that we can do certain things."

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. MURDOCK. I will yield in a moment.

Mr. President, the situation is one of Congress having imposed a duty and a responsibility upon the Federal Reserve Board in order to make it possible to finance the gigantic expenditures which have been authorized by the Congress. We have, it is true, large supplies of gold in this country, but under the 40-percent reserve requirement there is not sufficient gold with which to continue to finance our share of the cost of carrying on the war.

Governor Eccles is anxious as are the other members of the Federal Reserve Board to keep the reserve ratio as high as it can possibly be kept, having in mind the present supply of gold. But when the members of the Federal Reserve Board are confronted with the fact that the supply of gold is not sufficiently large to continue the present rate of financing or to continue our financing at its present tempo, there is only one thing to do, namely, to come to the Congress and say, "If we carry out the responsibility which has been placed upon us, you must, by law, reduce the gold reserve ratio."

Mr. JOHNSON of Colorado. Mr. President, will the Senator yield?

Mr. MURDOCK. I yield.

Mr. JOHNSON of Colorado. I have no argument to make against the statement of the Senator that he wants to give the

Federal Reserve System power to carry on the financing of our part in the war; but I object to granting the Federal Reserve System the right to issue Federal Reserve notes during the period following the war. We did not boost at one time the debt limit to \$300,000,000,000. We boosted it by steps, in the way that it was necessary to boost it. We passed several bills increasing the debt limit a little at a time. That is what I propose to do in this bill. A 10-percent step is sufficient to continue the financing of the war at its present rate of spending until January 1, 1947.

Mr. MURDOCK. There is nothing, in my opinion, more unwholesome and more alarming to the people of the United States than to keep fussing around with things such as the gold reserve. The argument which the Senator made was also made by the Senator from Ohio [Mr. TAFT] when Mr. Burgess was before the committee. It was made by the Senator from Ohio, by me, and other members of the committee when Mr. Eccles was before the committee. We discussed the question, Will 30 percent do the job now? Governor Eccles said:

It will probably take care of the situation for another year.

But he also said:

Whenever you begin to make changes in the monetary system of the country, whenever you call attention of the people of the country—and, for that matter, the people of the world—to the fact that our supply of gold is getting a little short, and that we must cut down our gold reserve, a psychological effect is created adverse to our enormous financing burden and it is not the right thing to do.

He also said:

I am no more anxious to reduce the gold reserve requirement than you gentlemen are. I should like to keep it as high as it can be kept; but, in my opinion, we should reduce it to what we know will be sufficient to carry us on for 2 or 3 years at the present rate of spending.

The question which the Senator has argued was not overlooked by the committee. The Senator from Ohio went into the matter very extensively, and so did I. We gave the matter attention in executive session, after hearing the witnesses, and we concluded that the best thing to do was to follow the advice of Governor Eccles and reduce the ratio sufficiently so as to make it unnecessary for him to come back to Congress within the next 2 or 3 years—we are all in hope that by the end of that time the war will be over—and ask that the gold reserve requirement again be reduced.

In my opinion, Governor Eccles was right when he pointed out that we should not bring the subject up too frequently for public discussion and publicity.

Mr. President, there are many things which we must do in financing the war. We have had to do many things which were not orthodox. Many things which we have done could be condemned as unsound. But when we fight an extraordinary war, such as the one we are fighting today, we must take extraordinary steps in Congress in order to meet conditions.

Let us look at the situation from this standpoint: Let us suppose we reduce the

reserve to 25 percent. The mere fact that we lower the requirement does not change our actual gold position. This can only be affected by the movement of gold. If the gold remained in this country then all the gold remaining here would constitute the reserve behind both Federal Reserve notes and Federal deposits. To prove that statement I invite attention of the Senator from Colorado to the chart appearing in the committee report. It indicates that in December 1941, when the requirement was 40 percent the reserve ratio was actually up to 90.8 percent. So the mere fact that we reduce the legal reserve requirement to 25 percent does not mean that it will go down to that level. But, the authority—and it is not power but authority—

Mr. JOHNSON of Colorado. I do not understand the difference between authority and power.

Mr. MURDOCK. I shall not attempt to make the distinction for the distinguished Senator; but in my opinion there is a vast difference between power and authority. When we impose the responsibility and the obligation on the Federal Reserve Board to support the Government securities market—and they have done it in a magnificent way—then we must at least confer upon the Board the authority to do the job; and that is all they are asking in this bill.

We could argue here for hours as to whether the ratio should be 30 percent or 25 percent but, in my opinion, we would be arguing about something that is not too important. The only advantage, if it is an advantage, which the Congress has if we reduce the ratio to only 30 percent is that if we subsequently reach a point where the situation again becomes critical the Federal Reserve Board must once more come to the Congress, and call the attention of the people of the country to the fact that we have again arrived at a point in our monetary affairs when Congress must again reduce the ratio. We went into these matters very thoroughly in the committee and the committee unanimously agreed that to reduce it to 25 percent was the best thing we could do at this time.

We must remember in the consideration of the bill that it is not the responsibility of the banks of the country to finance war expenditures; it is not the responsibility of the banks of the country to support the price for Government securities. That responsibility is placed on the Federal Reserve Board. They have had a tremendous responsibility in supporting every war loan which has been floated in this country. That is their responsibility. Now when they come forward and tell us they need this latitude in order to do the job efficiently, I do not believe we can doubt their word, and say that 30 percent is better than 25 percent. In my opinion such a contention is not supported by the evidence.

Mr. RADCLIFFE. Mr. President—

The PRESIDING OFFICER. Does the Senator from Utah yield to the Senator from Maryland?

Mr. MURDOCK. I yield.

Mr. RADCLIFFE. The Senator from Utah stated a moment ago, as I recall,

that he was distinctly of the opinion that 25 percent would be sufficient, and that if the ratio were placed at 30 percent the possibility might be, and perhaps the probability is, that in a short time a further reduction would become necessary and therefore the matter would have to come up again. I agree entirely with the views the Senator has just stated.

Let me ask him if there is not what might be called a psychological factor involved to which probably some weight should be attached? Everyone is of the opinion today that 25 percent is adequate. There is grave doubt in minds of many people as to whether 30 percent would be sufficient. If it is fixed at 30 percent, it will be placed at a figure that is not looked upon as a settling point in the view of those who have given careful consideration to the subject. In other words, we would be doing something which, in the opinion of many people at least, would be regarded as a temporizing expedient. That is not good psychology.

Mr. MURDOCK. That is exactly what Governor Eccles pointed out in his testimony.

Mr. RADCLIFFE. If we fix the ratio at a point which, so far as human foresight can forecast, is adequate to see us through, then we have done what is regarded as necessary to finish the job; we have not taken any half-way steps; we have not adopted a temporary expedient and have avoided the psychological disadvantage of resorting to a half-way measure.

Mr. MURDOCK. The Senator has stated the case very much better than I had attempted to state it. As the Senator has stated, the psychology of the situation is the important thing. Governor Eccles pointed out to us that it is not good psychology to keep bringing up this question; but the thing to do is to reduce the ratio to the point where we know we will be safe and then if the gold does not flow out of the country it will still be here and will continue as a reserve behind the Federal Reserve notes and the Federal Reserve bank deposits, regardless of what the legal ratio may be.

We are prone in this body to pass blame for things from the Congress to the agencies that have to carry on the obligations Congress imposed upon them. The Federal Reserve Board have absolutely no control over the money Congress appropriates and the expenditures we authorize and direct. The Federal Reserve Board have absolutely no control of the demand for Federal Reserve notes. All in the world they have to do is to supply the demand that comes to them for Federal Reserve notes and they tell us they cannot supply this demand if it continues at the present rate under the present gold reserve requirement, and if they are to carry on the reserve ratio must be reduced to 25 percent.

I call the attention of the Senate to the fact that this matter was thoroughly discussed in the committee; the 30-percent proposal was unanimously disagreed to; the 25-percent ratio was unanimously agreed to, and, in my opinion, the Senate can very well afford today to support the committee in the position it took, and I hope the Senate will do so.



Mr. BAILEY. Mr. President, I intend to vote for the bill and the committee amendments, but against the amendment offered by the distinguished Senator from Colorado. I do not intend to undertake to contribute to the argument on the points which have been discussed. What I have in mind is to mention the matter of deficit spending. Undoubtedly deficit spending will ultimately wreck this country. That has been the view I have taken for many years. We cannot keep on with unbalanced budgets, which is no more than to say that we cannot keep on spending more than we take in. The country cannot do that any more than I can. The man has never lived who can continue to do that sort of thing without going into bankruptcy, in which case he extinguishes his debt. A republic may do that; it may extinguish its debt by an act of bankruptcy. That act of bankruptcy takes the form of inflation. Inflation is only a mechanical way of repudiating the debt, and getting rid of it. God forbid that we should contemplate anything of that sort.

But here we are in the midst of war. We must indulge in deficit spending now, as we have since 1941, or, indeed, since 1940, which was the date of the first appropriation authorized in response to the message of the late President of the United States after France had fallen. We have gone ahead until we look fully in the face the prospect of a national debt of \$350,000,000,000. That means a net increase in the debt of about \$300,000,000,000 since the war began, the debt having been about \$49,000,000,000 prior to the Pearl Harbor attack. Congress created that debt and Congress will be responsible for future deficit spending.

The Federal Reserve banks did not raise the debt. They had to act, they had to respond to our appropriations. Our ratio is not sufficient now wholly because we have appropriated money to be sent abroad. If we had appropriated our money to be expended here, we would have our gold, and we would need no change in the ratio. But we have authorized the continual sending of goods abroad on credit. In addition to that, we have sent money abroad in great sums and we have to pay abroad always in gold. We may not have a gold standard in this country, and we may never return to payments in specie, in gold, as Mr. Burgess wishes, and as I should like to be able to wish. I realize it is an impossibility at any time within the reasonable future. But so long as we are in the position of being under the necessity of creating this condition, we must meet the responsibility ourselves. The Federal Reserve banks, the Board of Governors, the Honorable Marriner Eccles, have neither authority nor power. I do not wonder that my distinguished friend, the Senator from Utah, did not rise to his opportunity to draw the fine distinction between authority and power; but I think it can be drawn.

Mr. MURDOCK. Mr. President—

Mr. BAILEY. If the Senator will let me finish—I am not going to indict him for any delinquency.

Mr. MURDOCK. I was about to ask the Senator to give the distinction.

Mr. BAILEY. We speak of 90-proof whisky as having authority. No one ever speaks of it as having power. We speak of dynamite as having power, but no one would drink dynamite. If we are going to drink at all, we really like to drink something that has authority in it. [Laughter.]

Mr. RADCLIFFE. Mr. President, will the Senator yield?

Mr. BAILEY. The Senator is going to spoil my disquisition; but I yield.

Mr. RADCLIFFE. I shall be very brief. Does not the word "authority" carry with it some implication of justice? Hitler had the power temporarily to carry out his murderous will upon certain countries he overran. However, his actions had not the warrant of authority.

Mr. BAILEY. I am talking now with a Ph. D. from Johns Hopkins, and I am going to teach him a lesson in Latin. The word "authority" comes from the Latin word "auctor," to execute. The word "power" connotes the same original meaning as the Greek "dunamis," something inherent in one, explosive power.

Congress has power, and the Constitution declares it has power, and those who have power can give authority. No one gives us authority. Congress has power, derived from the sovereign people, who have the ultimate power. They vested it in us. No one else in this country has power except Congress. The President has no power. He has the authority to execute the laws we pass, and to administer the Government. That is authority. Sometimes it is very potent. But when we come to the question of power, all the power in this Government is lodged in the Congress, and under any circumstances the power to bring about inflation, the power to wreck this country, the power to save this country and its people, is here if it is anywhere under Almighty God, who is the repository and the judge of the exercise of all power.

I would not say that we go that far in our sense of responsibility, because we go to the people, but we do not say the people have authority. All power is derived from the people. That is where the power is, and they give us the power they had in order that we may preserve them and look to their welfare. In undertaking to do that, we create boards and bureaus and independent agencies, and when they get in bad from the exercise of authority which we gave them, and we are criticized, we all jump on them. That is our excuse.

Mr. President, I think we should take the responsibility. They are answerable, not to the people, but to us. They do not stand in elections; we do. We should hold them to answer. But when they come to Congress and say, "We are doing what you authorized us to do because you made it necessary," then we at least should face our own responsibility, confess our responsibility, and exercise it.

What we have here is this: We do have necessary deficit spending at this time. We cannot avoid it. We have to carry on the war. It is a necessity of our very existence, and it is also a necessity of our honor. We must carry it on, and we must carry it on with all we have and all we are. We cannot stop short,

we cannot fail the men who are fighting abroad in our name, and under our orders, and for our sakes. We can answer for that anywhere. It is a national necessity, recognized by every human being in this country who is in a fairly reasonable state of mind.

The other matter is one of deficit spending after the war. It will be pretty well for us to attend to that when we get to it. Sufficient unto the day is the evil thereof.

When we get to the postwar period, as I hope all the other Senators will, we shall address ourselves to our responsibility. I hope to stop the gold from flowing abroad. I am not in favor of the United States of America, with her \$21,000,000,000 of gold, saying that we are so rich we can just sow it abroad all over the world and make ourselves popular. We will also make ourselves very poor, we will also make ourselves very dependent, and we will not be able to maintain even a 25-percent ratio.

We cannot afford always to be lending. We lend now to Great Britain, not because we love Great Britain. We may love her, but that is not the reason why we are lending to her. We lend to Great Britain because she stood between us and the enemy, and still stands, to a great extent, either with us or between us and the enemy, now with us, and we often in front, I must say.

We are lending to Russia, not because we love Russia. I think the American people have come very greatly to honor Russia. We feel a deep sense of friendship for Russia, and I have a very great admiration for the whole Russian situation, and the way the Russians have carried on. Their soldiers are heroic, their people are heroic, and they have great generals. But we are not lending them money because of our admiration; we are lending them money because they are part and parcel of our defense, they are our allies, they need our help. We could not go into the war at once, so we sent our funds, we sent guns, we sent everything we could, and we did exactly right when we did it. I think the best vote I have cast since I have been in Congress was the vote for lend-lease. It was the most important, and will bear the best fruits. I do not expect ever to be ashamed of it or ever to regret it. But the time will come when we must look to our own household, and who are the men who must look to it? We men right here, and no one else, not the Federal Reserve Board, not the Federal bureaus, not the President, not the Cabinet, but the Congress.

When we come to that, all of us must stop calling on the Government for all manner of expenditures. I think we have fallen into a terrible habit. Someone wants an activity, and says, "Let us have a billion dollars," and all we have to do is vote for it, and it is a pretty good thing. Another wants \$300,000,000. We have actually convinced the American people that the United States Government can manufacture money. I rather think that a majority of the people think Congress can create money. We cannot create it. We are talking today about a ratio with respect to gold. We did not create the gold. Money must be based

upon substantial wealth and nothing else, and substantial wealth is derived from the earth, and from the sweat of man's brow, and the labor of his hands. All we have spent must be paid back with labor. The \$300,000,000,000 which altogether we are to spend, or the \$350,000,000,000 in sum total which we contemplate spending, every dollar of it will have to be paid, not as Lincoln said, by "blood drawn with the sword," but as the Almighty said, "In the sweat of thy face." Money cannot be gotten in any other way. Money is not found. If money were found it would not be worth having. If the money were manufactured it would simply be like burning down the house. The money which is manufactured falls in value as fast as it is manufactured. A Senator's salary of \$10,000 today at least keeps him alive, notwithstanding the complaints we hear in many directions. But if we should go into the business of manufacturing money, a Senator's salary of \$10,000 would not buy him a pack of cigarettes. That is what we must consider in this matter of money spending.

Some think we can devise a means whereby we can replenish the currency in the United States. There are those who actually read into the Federal Reserve Bulletin that \$26,000,000,000 is in circulation, and they think that will make us rich, and account for the increase in prices. There is nothing to it. If one hundred billion dollars, or one billion billion dollars were put in circulation it would not be worth any more than the \$5,000,000,000 that was in circulation 10 years ago.

Mr. President, I believe I shall say something about that. I read the Federal Reserve Bulletin, and I usually become irritated when I read it. I turn over to a page on which I find "Money in Circulation." It really means money which is out of circulation. One must do a great deal of figuring to find in the Federal Reserve Bulletin a record of the money that is in circulation. The money reported in the Bulletin as money in circulation is the money that is not in bank. The money that is in bank is the money that counts. The money that is written down in the Bulletin as being in circulation is a little currency in people's pockets here and there, probably a billion or two billion dollars of currency which has been forgotten long ago, much of which may have been burned up. Probably a billion and one-half dollars of currency is in old socks or safe-deposit vaults. Then there is currency in the cash drawers and the cash registers in the stores. There is currency on shipboard and going abroad. All that is put down as currency in circulation. It is not in circulation. It has nothing on earth to do with our situation.

I find the heading "United States money outstanding and in circulation." The explanation of that is money outside the Treasury and outside the Federal Reserve banks. Money is circulating today in America at a terrific rate; it is circulating a little bit faster than it did during the great peak of the twenties, just before the great collapse of October 1929. Here is the money in circulation: As of January 1945, debt to

total deposit accounts, except interbank accounts, from all reporting centers, \$82,743,000,000 a month. That is at the rate of \$1,000,000,000,000 a year. That is the highest rate in the history of this country. That is really money in circulation—the checks you and I write, going back and forth, and the transfer on account. That is the significant thing.

To sum the matter up in my own mind, the debate to which we have listened has to do with the difference between a 25-percent ratio and a 30-percent ratio. So the principle is established and the necessity is recognized. Why should I greatly worry about the difference? Mr. Eccles says that if we will cut it all the way to 25 percent at one time we will not have to recur to the matter again and irritate ourselves and disturb the people. That sounds rather reasonable to me. My friend the Senator from Colorado [Mr. JOHNSON] says that if we do not stop at 30 percent we will run into deficit financing at some future time. That is a matter which is in our hands. That is not in the hands of the Federal Reserve bank. If we want to do that, no one but the people can prevent us from doing it. I sometimes think there are too many people who do not want to prevent us from doing it; that they are under a delusion about money.

Now why not settle the question? I hope when we try to settle it it will be settled. If we keep on spending or if we keep on lending and not getting cash back, if we have to send the gold away and get nothing back in return, the difficulty will be to stop at a 25-percent ratio. But we can be happy at any rate over the fact that the head of the Federal Reserve System says that he thinks he can hold it there for a year and a half or 2 years. I should like to see something that is certain for a year and a half or 2 years. I will compromise on the 25-percent ratio for a certainty under the circumstances, and we will take it up again at the end of 18 months. We can then lift it if we wish to or we can decrease it if we have to. It all depends on what we do in the meantime. We can keep on spending the money—we benevolent Senators, who are not so famous for our contributions to charity, but extremely famous for our appropriations of public money. All of us are benefactors and philanthropists when it comes to the Treasury, and we enjoy the privileges of the multimillionaires in the way of handing out money. If we keep on doing that, I say that we will not stop at the 25-percent ratio, and we will not stop at the 30-percent ratio. We will go all the way down into greenbacks. And, thank God, if we can stop just short of greenbacks. If we go to greenbacks, it will be perdition. That is something which is in our hands. But that is not what we are doing now.

Mr. President, I should like to say something more about the matter of the gold standard. We have left the gold standard, and the gold standard is not a subsisting thing except in international relations. The money of the United States is not on a gold basis.

Mr. Burgess, from whose paper the Senator from Colorado read, talked as

if it were possible for this country to get back to specie payments in gold. I should like to see Mr. Burgess try to run the country on that basis for about a year or two. How would he do it? We have outstanding in America today in old socks, in the safe-deposit boxes, in cash drawers, about \$26,000,000,000. We have but \$21,000,000,000 of gold. Who would not take that gold in place of what he has? There is not a man in America who would not.

That is not all of it by any means. We, the depositors of America, have credits in the banks of over \$100,000,000,000. I will not undertake to get down to the specific figures. If we were to resume specie payments in gold the United States Government would not be able to pay 15 cents on the dollar. The Federal Reserve ratio would go to zero in 20 minutes, because there would be no gold on which to base the ratio. It would all disappear. It would all go into hiding. A great deal of it would be shipped abroad. When Mr. Burgess, through my distinguished friend, told us that we could go back to specie payments in gold, he was talking plain moonshine; and if he is a banker or an economist he knows much better. If he does not know it, every Senator knows it, regardless of where he came from or how long he has been here.

That is the situation. It is a situation which I helped to create. I voted for every one of the war appropriations. I am in favor of meeting the situation which the Congress itself created, and meeting it fully, or as fully as we are able to meet it. It is our responsibility. We may regret it. We may see the downward progress. We may be afraid that a 25-percent ratio would yield to 20 percent, and 20 to 15. If so, it is our responsibility. I like to think that there is no power on earth in us by way of undertaking to create scapegoats, which is a favorite business of guilty people from the days of Moses to the present time. There is no way for us to escape our responsibility by undertaking to "pass the buck," denounce a bureau, or quarrel with the President. It is our responsibility.

So I seize this occasion to express my thoughts by way of warning myself and my fellow Senators. The very fact that we have reached the stage where we must reduce the reserve in gold ought to warn us that we are responsible, and that we alone have the power—not the authority, but the power—to arrest the progress down the road to ruin.

The PRESIDING OFFICER (Mr. HOEV in the chair). The question is on agreeing to the amendment offered by the Senator from Colorado [Mr. JOHNSON].

Mr. WAGNER. Mr. President, the amendment offered by the Senator from Colorado was considered by the Committee on Banking and Currency before a meeting of the full committee in executive session, and we finally decided against the amendment. The addresses made by the senior Senator from Ohio [Mr. TART] and the junior Senator from Utah [Mr. MURDOCK] represent the views of the committee. I hope the amendment will be rejected.



The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Colorado [Mr. JOHNSON].

The amendment was rejected.

Mr. JOHNSON of Colorado. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Colorado will be stated.

The LEGISLATIVE CLERK. On page 3, after line 9, it is proposed to insert the following new subsection:

(d) The amendments made by this section providing for reduction in reserve requirements shall remain in force until the expiration of 2 years after the date of enactment of this act, and after such amendments cease to be in force any provision of law amended thereby shall be in full force and effect as though this act had not been enacted.

Mr. JOHNSON of Colorado. Mr. President, the effect of this amendment would be to go back to the status quo 2 years after the enactment of the pending measure.

There is one point, at least, on which Mr. Eccles and Mr. Burgess are in accord. That is that the present shortage of gold is only temporary. Mr. Eccles said:

In my opinion, we are likely to get a big influx of gold just the minute we are willing to ship goods. Our gold is likely to be expanded while we will ship the goods over, and we will take the world's gold, which is \$14,000,000,000 at the present time, plus about a billion and a half of production, and we will take that gold and ship goods just as soon as the goods can be shipped and the ships are available to ship them.

On this point Mr. Burgess said:

If one were going to make a prediction, I think I would predict an increase in gold holdings after the war, because there is a lot of gold stacked up in South Africa and in Russia that will come here, so they may get dollars to buy things with. And gold producers will begin to produce. The total gold production before the war was running close to a billion and a half dollars a year.

When he was asked whether or not it should answer the purpose if this bill should terminate in 3 years with the idea that if it works out successfully Congress will permit its continuance, Mr. Eccles very cleverly evaded the question by responding, "What difference does it make whether you have a gold reserve or not, just for the sake of argument?" He continued, "A good many bankers do not believe in it, but most of them do not understand." I call the attention of the Senate to the words of Mr. Eccles. He admits that "most of them do not understand." That is an admission that most of them do not agree with him. He meant that they do not see eye to eye with him. In other words, the bankers do not wish to stray from the "orthodox" way, the conventional way of requiring gold reserves behind Federal Reserve paper money. In my opinion, Mr. Eccles would have asked Congress to enact legislation at this time to do away entirely with gold reserves if he had felt that the bankers of the country would support him. He knew they would not follow him in this wildcat idea of his.

Mr. President, the necessity for considering a measure of this kind—if it may be called a necessity—is most certainly predicated on the abnormal demand for currency as a result of our war program. It is therefore as much an emergency measure as most of the war measures that have been enacted since Pearl Harbor. Therefore there should be some limitation placed in this bill in order that it may terminate shortly after the exigencies of war no longer require it. There is no legitimate reason why the Congress should at this time enact permanent legislation in order to meet an emergency of this nature.

My amendment would terminate the authority granted in the pending bill with respect to gold reserve requirements, 2 years after the enactment of this measure.

Mr. TAFT. Mr. President, I dealt briefly with this question in my previous remarks. The result of this amendment would be that for 2 years we would have a requirement of 25 percent, and then automatically it would go up to 40 percent. It is almost impossible to tell what the condition will be at that time. It seems to me that we might at that time wish to raise the ratio to 30, 35, or 40 percent, or we might not wish to raise it at all. I cannot see why the question cannot be left to our discretion at that time.

As a matter of fact, it does not matter if the reserve is too much. For years we had a 100-percent gold reserve against our currency. For years we could have trebled or quadrupled the currency outstanding, with the gold which we actually had, and we did not do it. The 100-percent gold reserve had no result whatever in producing additional currency. The mere existence of an excessive gold reserve is not, apparently, an inflationary factor. People used to think so; and for years an effort was made, by producing paper money, to create increased business activity at a time when business was depressed; but it had no effect whatever.

I do not quite see why, when the gold comes in, we cannot just as well have a 100-percent gold reserve, whether the required reserve is 25, 30, or 40 percent. I believe that a 25-percent gold reserve is a permanently sound basis for a gold reserve. I think it is adequate for any purpose of a gold reserve. I think it will give us sufficient gold to meet any possible demands which can ever be made for the payment of the notes against which the gold is held.

Therefore it seems to me unnecessary to have any temporary provision. I believe very strongly that the existence of a temporary provision would create fear and uncertainty. Just before the expiration of the 2 years, there would be a tendency among foreign nations and others to rush in and try to get the gold while it was still available; and because of the increased requirements of our own system, there might be great difficulty in meeting the demands of foreign nations for the export of gold.

So, Mr. President, it seems to me we should do what we are doing, and we should leave for 2 or 3 years from now

the final settlement regarding what the reserve should be in time of peace—if then we think it should be changed from the 25 percent.

Mr. MURDOCK. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. MURDOCK. I do not like to repeat, but I must say that it is a fact that, regardless of the rate fixed by law, whatever gold is in the Federal Reserve banks automatically is a reserve behind the outstanding notes. The mere fact that the reserve is fixed at 25 percent has no effect, if the gold is actually there.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Colorado [Mr. JOHNSON], on page 3, after line 9, to insert a new subsection.

The amendment was rejected.

Mr. JOHNSON of Colorado. Mr. President, I have one other amendment which I now propose and ask to have read.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 1, beginning with line 3, it is proposed to strike out through line 9 on page 3, and insert in lieu thereof the following:

That the dollar consisting of  $9\frac{1}{2}$  grains of gold nine-tenths fine shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

Mr. JOHNSON of Colorado. Mr. President, reducing the amendment from the technical language to the language of dollars and cents, it would provide for an increase in the price of gold from \$35 an ounce to \$56 an ounce. A number of Senators believe, as I do, that the proper way to meet the emergency is to increase the price of gold sufficiently to insure the maintenance of a 40-percent gold reserve behind Federal Reserve notes and a 30 percent gold reserve behind bank deposits, in order to permit an expansion of paper money and bank deposits to the same extent as would occur by reducing the gold reserve requirement to 25 percent.

When Mr. Eccles was questioned about this matter he said:

To change the price of gold would mean that we have obligated ourselves for practically an indefinite period to buy the world's gold at whatever increase in price we fix, or to buy gold from the American miner at whatever the increased price was, and that would be paying dollars for a product we do not need, that serves no useful purpose except as it may be used to settle international balances. That is the only purpose that gold serves, and not a very useful purpose, indeed.

He further said:

What would we do with the increased amount of gold? It would represent merely a subsidy to foreigners.

The higher price paid for foreign-gold production and foreign-gold reserves sent to this country would constitute a subsidy to foreigners. We would be paying premiums for gold that we do not want. We already have more gold than we need for purposes of international settlement. A creditor country such as the United States with a strong balance of international payments

could easily settle any deficit that may develop in its international transactions with half the gold that we now have. Gold is not needed for domestic circulation; and it is needed as reserves against notes and deposits only to the extent that we choose to impose requirements on ourselves.

Subsequently he said:

To lower the value of the dollar in terms of gold—which means increase the price of gold—might tend to depreciate it in the exchange market. That is, in relation to other currencies. It certainly would—and create unsettled conditions in that market at the very time when we are trying to get the nations of the world to agree together on policies of exchange stabilization. The depreciation of the dollar would tend to jeopardize the Bretton Woods program or any other program of stabilization. If we wish to add to our money supply it is far better to do so through an expansion of Federal Reserve credit which can later be withdrawn should inflation threaten, than to do so by creating added billions of dollars in ways that add nothing to the offsetting powers of the Federal Reserve System.

Mr. WAGNER. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I yield.

Mr. WAGNER. The fact is that the foreign countries now hold \$17,000,000,000 worth of gold. The proposed increase in the price of gold to \$56 an ounce would mean a gift to them of \$8,500,000,000, would it not?

Mr. JOHNSON of Colorado. I understand that a great many persons advocate that we build up the buying power of foreign countries so that we can have full employment in this country, and a great many measures to that end are being worked out. So the amendment is very much in line with the present philosophy of money of our foremost thinkers.

Mr. Eccles further said:

Particularly when those added dollars are created through subsidizing foreign gold production or paying more for existing foreign gold reserves. They represent a drain on this country's productive resources, which they would be exchanged for; nor would foreigners be as well pleased if our action unsettles the exchange markets and makes it necessary for foreign countries to depreciate their own currency to meet our action.

Now, the countries that produce gold, and they are a small number—Canada and South Africa are the principal ones—but of a total gold production of a billion and a quarter, more than a billion of it is produced outside of the United States and Alaska, and the great bulk of it is produced in South Africa and Canada and Russia. But aside from that, very little is produced. Those countries, it would be helpful to them, of course, to increase the price of gold, because they are sellers of gold as a commodity.

Mr. Eccles then argued that the reason why gold-producing countries are prominent countries today is because they produce men and goods and leadership, not because they produce gold. I should like to point out that Germany's production of men, goods, and leadership is not sufficient to make her a prominent country.

Where was Mr. Eccles when the price of gold was raised in 1934 from \$20.67 to \$35 an ounce? I suppose that act was thoroughly unorthodox. It was done for two reasons: first, in recognition of the fact that gold was greatly undervalued; and, second, in order to increase the

quantity of gold so that its use might be greatly extended.

If the price of gold were raised again to meet the new demand for currency backing, we could impound the earned increment. We did just that when the price of gold was increased in 1934, by transferring the profit to the stabilization fund, which has been operated entirely on that profit. Another profit at this time would enable us to meet our proposed subscription to the Bretton Woods fund and bank, if Congress approves these proposals. Furthermore, it would make the task easier for foreign countries, whose gold stocks are smaller than ours, when they are called upon to subscribe to the Bretton Woods agencies. It would help to insure the success of the enterprise.

Let us see what has happened elsewhere recently. Since the beginning of the war, gold coins have brought heavy premiums in all markets throughout the world where such transactions have been permitted. For instance, in India, gold bars sold at a rate of \$40 an ounce in December 1941, and since then they have reached the price of approximately \$68 to \$70 an ounce. These sales are still in progress daily. The Indian Government in collaboration with the British Government has resorted to every known device in order to keep the market price of gold in Bombay in line with its monetary price in the United States. They have failed, notwithstanding the large daily offerings made, all of which have been bought with enthusiasm at prices which double the monetary value of \$35 an ounce.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. JOHNSON of Colorado. I yield.

Mr. TAFT. I suggest that is not an increase in the price of gold. It is a depreciation in the price of Egyptian and Indian currency. Gold does not sell for \$68 an ounce in Egypt. It sells for a certain amount of Egyptian currency. We, by force, are maintaining it at a value which it has no right to possess. No one is foolish enough to pay \$68 an ounce for gold, and I do not think the Senator can prove that there is any such sale.

Mr. JOHNSON of Colorado. Nevertheless, they are doing it, and we are stabilizing their money in terms of our dollars, too.

Mr. TAFT. Those purchases are in their currency, not in dollars.

Mr. JOHNSON of Colorado. The reason why we have the flight of gold from the United States is largely because of the advance in the price of gold throughout the world.

Mr. TAFT. I cannot permit that statement to go unchallenged. I do not think the price of gold has increased throughout the world in any degree whatever, and I do not believe any evidence can be produced to prove that the price of gold has increased or that there is any pressure to increase it at the present time.

Mr. JOHNSON of Colorado. I disagree with the Senator.

Gold coins have been selling in Lisbon at premiums ranging from 150 to 200 percent, and the premiums on gold coins

in Turkey recently have reached 400 percent of their monetary value. Gold coins and gold bars have been selling at more than \$50 an ounce in Argentina, and slightly less in Habana. Even in Panama gold coins have reached a premium of 100 percent.

We have reached a situation where the Chairman of the Federal Reserve Board is asking Congress to reduce the gold reserve requirements behind the Federal Reserve notes instead of recommending an increase in the price of the metal in line with gold values existing in other markets of the world. An adjustment in the price would, above all, necessitate reducing the gold requirement behind the enormous and unwieldy issues of Federal Reserve paper money in the United States. If we are to be consistent we must follow the precedent established in January 1934, when the price of gold was increased by Presidential proclamation under the authority of the act of May 12, 1933.

Mr. President, I ask the Senate to vote upon my amendment.

Mr. TAFT. Mr. President, I do not know whether it is necessary to deal with this question, because I do not think the country for one moment would sanction any increase in the price of gold. The question has not been discussed, of course, throughout the country at large. It might result in a serious upset of our foreign relations in many respects.

Mr. President, I may say a few words in opposition to the amendment. We increased the price of gold from \$20 to \$35. For some time the President had power to increase the price further, I believe to approximately \$40. Approximately 2 years ago that power was taken away from him by Congress, and it no longer exists.

The proposal now is that we ourselves increase the price of gold to \$56 an ounce. Of course, so far as providing additional gold for reserves is concerned, the increase in price would serve exactly the same purpose as the bill which we are now considering, but its effect on international relations would be different. It would mean depreciation of the value of the dollar, and, without question, that would result in a general increase in prices in the United States, and would make the efforts of the Office of Price Administration even more difficult than they are today.

Mr. Pierson did not approve the thesis that the prices of all other commodities did not increase permanently with the price of gold, but it was shown that we get some increase in the prices of commodities by increasing the price of gold. There is no doubt that that would be the tendency at a time when we were exercising every effort possible to hold down domestic prices.

With regard to the question of exports and imports, there are two tendencies. If we devalue our currency, the other countries may or may not do likewise. The South American countries would be under no obligation to follow us in that respect. Let us suppose that they do not devalue their currency, but maintain their present gold value. If they do not devalue, it is my opinion that we will



have to pay more for our coffee, for example, because the Brazilians will insist upon receiving the same amount in gold they are now receiving. Coffee, for example, will have to be paid for according to the price level which prevails in Brazil at the present time.

At the same time, for whatever we sell to Brazil of manufactured goods we receive less in real money than we now receive. The effect of devaluing our currency, when other countries do not devalue, is that we sell our exports for less coffee, for example, or less gold, if we are expecting to receive gold. The result of a devaluation of our currency when other countries do not value theirs is an increase in exports and a decrease in imports. It has somewhat the effect of an infinitely high tariff at a time when the general tendency is to lower tariffs and encourage imports into this country instead of discouraging them.

Of course, Mr. President, if we carried deflation to an extreme it is easy to see what would happen. We would constantly be selling our goods to other nations for less and paying more for the goods we received until the situation became a *reductio ad absurdum*. We would be giving away everything and paying for everything which we imported.

The other tendency would be for every nation to follow us, and that would result in a general increase in the price of gold throughout the world. If that took place, I do not think it would have any tremendous effect on price levels. On the other hand, as the Senator from New York pointed out, the \$15,000,000,000 or \$17,000,000,000 owed us by other nations would be increased in value by about ten or eleven billion dollars. Those countries could then come to this country and use the money in buying our goods. In effect, there would be a gift of approximately \$11,000,000,000 to such foreign countries. We are the only country in the world which buys gold. With the exception of the South American countries, we are the only country in the world which is really on a permanent gold standard. It seems to me that if we pursued the course suggested we would obviously be acting against every possible interest of the people of the United States. I do not think there should be any question, Mr. President, about increasing the price of gold.

SEVERAL SENATORS. Vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Colorado [Mr. JOHNSON], on page 1, beginning in line 3.

The amendment was rejected.

The PRESIDING OFFICER. The question now recurs on the committee amendment on page 4, after line 9, to insert a new section 3.

The amendment was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the committee amendment on page 4, after line 15, which will be stated.

The LEGISLATIVE CLERK. On page 4, after line 15, it is proposed to insert a new section, as follows:

SEC. 4. All power and authority of the President and the Secretary of the Treasury

under section 43 (b) (1) of the act approved May 12, 1933 (48 Stat. 31, 52), with respect to the issuance of United States notes, shall cease and terminate on the date of enactment of this act.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is before the Senate and open to further amendment. If there be no further amendment to be proposed, the question is on the third reading and engrossment of the bill.

The bill (S. 510) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That (a) the third paragraph of section 16 of the Federal Reserve Act, as amended, is amended by changing the first sentence of such paragraph to read as follows:

"Every Federal Reserve bank shall maintain reserves in gold certificates of not less than 25 percent against its deposits and reserves in gold certificates of not less than 25 percent against its Federal Reserve notes in actual circulation: *Provided, however,* That when the Federal Reserve agent holds gold certificates as collateral for Federal Reserve notes issued to the bank such gold certificates shall be counted as part of the reserve which such bank is required to maintain against its Federal Reserve notes in actual circulation."

(b) The first sentence of the fourth paragraph of section 16 of the Federal Reserve Act, as amended, is amended by striking therefrom the words "40 percent reserve hereinafter required" and by inserting in lieu thereof the words "25 percent reserve hereinbefore required to be maintained against Federal Reserve notes in actual circulation."

(c) Subsection (c) of section 11 of the Federal Reserve Act, as amended, is amended to read as follows:

"(c) To suspend for a period not exceeding 30 days, and from time to time to renew such suspension for periods not exceeding 15 days, any reserve requirements specified in this act: *Provided,* That it shall establish a graduated tax upon the amounts by which the reserve requirements of this act may be permitted to fall below the level hereinafter specified: *And provided further,* That when the reserve held against Federal Reserve notes falls below 25 percent, the Board of Governors of the Federal Reserve System shall establish a graduated tax of not more than 1 percent per annum upon such deficiency until the reserves fall to 20 percent, and when said reserve falls below 20 percent, a tax at the rate increasingly of not less than 1½ percent per annum upon each 2½ percent or fraction thereof that such reserve falls below 20 percent. The tax shall be paid by the Reserve bank, but the Reserve bank shall add an amount equal to said tax to the rates of interest and discount fixed by the Board of Governors of the Federal Reserve System."

SEC. 2. The second paragraph of section 16 of the Federal Reserve Act, as amended, is amended to read as follows:

"Any Federal Reserve bank may make application to the local Federal Reserve agent for such amount of the Federal Reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal Reserve agent of collateral in amount equal to the sum of the Federal Reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, drafts, bills of exchange, or acceptances acquired under the provisions of section 13 of this act, or bills of exchange endorsed by a member bank of any Federal Reserve district and purchased under the provisions of section 14 of this act, or bankers' acceptances purchased under the provisions of said section

14, or gold certificates, or direct obligations of the United States. In no event shall such collateral security be less than the amount of Federal Reserve notes applied for. The Federal Reserve agent shall each day notify the Board of Governors of the Federal Reserve System of all issues and withdrawals of Federal Reserve notes to and by the Federal Reserve bank to which he is accredited. The said Board of Governors of the Federal Reserve System may at any time call upon a Federal Reserve bank for additional security to protect the Federal Reserve notes issued to it."

SEC. 3. All power and authority with respect to the issuance of circulating notes, known as Federal Reserve bank notes, pursuant to the sixth paragraph of section 18 of the Federal Reserve Act, as amended by section 401 of the act approved March 9, 1933 (48 Stat. 1, 6), shall cease and terminate on the date of enactment of this act.

SEC. 4. All power and authority of the President and the Secretary of the Treasury under section 43 (b) (1) of the act approved May 12, 1933 (48 Stat. 31, 52), with respect to the issuance of United States notes, shall cease and terminate on the date of enactment of this act.

#### DEVELOPMENT OF COOPERATIVE AGRICULTURAL EXTENSION WORK

Mr. HILL. Mr. President, on behalf of my colleague the senior Senator from Alabama [Mr. BANKHEAD] I move that the Senate proceed to the consideration of Senate bill 383.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 383) to provide for the further development of cooperative agricultural extension work.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. JOHNSON of Colorado. Mr. President, are we about to proceed to the consideration of the bill?

Mr. HILL. If my motion that the Senate now proceed to the consideration of the bill is agreed to, I shall make the point of no quorum. The bill will then be open to amendment and discussion. My request now is merely that the Senate proceed to the consideration of the bill.

Mr. JOHNSON of Colorado. I am in favor of that.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Alabama.

The motion was agreed to; and the Senate proceeded to consider the bill.

Mr. HILL. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Austin	Hayden	O'Daniel
Bankhead	Hickenlooper	O'Mahoney
Burton	Hill	Radcliffe
Bushfield	Hoey	Revercomb
Butler	Johnson, Colo.	Robertson
Byrd	Johnston, S. C.	Russell
Capehart	Langer	Shipstead
Capper	Lucas	Smith
Cordon	McFarland	Taft
Donnell	McKellar	Thomas, Okla.
Downey	McMahon	Tunnell
Ferguson	Magnuson	Wagner
Fulbright	Maybank	Walsh
Gerry	Millikin	Wheeler
Guffey	Mitchell	White
Hart	Moore	Wiley
Hatch	Morse	Wilson
Hawkes	Murdoch	

The PRESIDENT pro tempore. Fifty-three Senators having answered to their names, a quorum is present.

#### DISPOSAL OF SURPLUS WAR MATERIAL

Mr. CAPEHART. Mr. President, I wish to discuss briefly a matter which is I think of some interest.

I know of no problem that is quite so troublesome as that of the disposal of surplus war material. I certainly am in sympathy with whoever is asked to administer the Surplus Property Act. It is a tough job; it is a hard job.

There has been called to my attention the fact that the Surplus Property Board has divided the United States into 12 regions, which I think is a fine idea. I congratulate the Board for so organizing the country. I think the idea of having 12 regions, one central point in each region where the surplus war material is gathered together, and one organization in each of the 12 regions to handle the property, is an excellent idea.

In connection with this step, however, the Board has adopted a rule which to my mind is in conflict with the law and is not in harmony with our American system of government, namely, that one must live within the region where the merchandise is being sold at the time it is advertised or he will not be allowed to purchase any of the property. For example, my State of Indiana has been placed in a region with Ohio, West Virginia, and Kentucky, and citizens of Indiana are prohibited from going to Chicago to bid on and purchase surplus war material there. That will work a hardship on the people of Indiana, as it will on the people of other States. I see no reason why, merely because one happens to live in Kansas, Kentucky, or Indiana, he should not be permitted to buy surplus war materials which may be offered for sale in Boston, or Washington, or Dallas, Tex., but that is the rule set up by the Surplus Property Board.

I have in my hand a letter from the Chairman of the Board, Hon. Guy M. Gillette, dealing with the question. I call this matter to the attention of the Senate because to my mind the rule should be changed. I think it is unfair. I do not believe it is in keeping with what the Congress intended when it wrote the act. I have read the act very carefully. I do not know that anything can be done about it, but I want to go on record as calling the attention of the Senate to the situation, which I think is very bad.

I should like to ask if other Senators have received complaints from people in their States who have traveled great distances to purchase surplus war materials only to find after their arrival that they were unable to bid because they happened to live in a State which was not in the particular region in which the merchandise was being advertised.

Mr. LANGER. Mr. President, I will say that I have received many complaints along the same line.

Mr. HILL. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. HILL. I wonder if the distinguished Senator from Indiana has brought this matter to the attention of former Senator Gillette who is the

Chairman of the Surplus Property Board.

Mr. CAPEHART. I have, and I hold in my hand a letter from the Chairman of the Board in which he writes me that what I have just described to the Senate is the rule; that the Board have adopted that policy.

Mr. President, I ask unanimous consent that Mr. Gillette's letter may be printed in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

APRIL 21, 1945.

HON. HOMER E. CAPEHART,  
United States Senate,

Washington, D. C.

MY DEAR SENATOR: This acknowledges receipt of your letter of April 14, 1945, with which you enclosed two telegrams received from the Jack Maurer Motors, Inc., of Indianapolis. I am forwarding these wires to the Procurement Division of the Treasury Department, which is the disposal agency for this class of property and which will probably be transferred within the next few days to the Commerce Department but will continue to function as an organization.

Preliminary to receiving their full reply, may I say that in order to effectuate as wide distribution as possible of this type of equipment as well as other types, including farm machinery, this agency has been pursuing the policy of setting up regions throughout the United States where property of this class can be concentrated and be the more readily available for inspection and purchase. It was in their minds that where property was declared surplus in one locality, it was discriminatory to the rest of the country if they had to travel long distances to inspect the property. For instance, if machinery was declared surplus at Atlanta, Ga., it was obviously impossible for prospective buyers to come from Oregon or Maine and bid in competition with those in the near area. To obviate this difficulty, the policy of setting up around a dozen regional offices was established where the concentration could be made more accessible. Of course, it follows that there is still something of unfairness, and a number of protests have come to me whereby prospective purchasers at the edge of one region would find it more convenient to go to an adjoining region concentration point which was nearer to them. There seems to be little doubt that the regional system is a big improvement over the concentration at one point. I am giving you this preliminary survey of the problem pending the full answer to the wires of your constituent.

With personal greetings, I am,

Sincerely yours,

GUY M. GILLETTE,  
Chairman.

Mr. HILL. Does Chairman Gillette in his letter state the reasons which impelled the Board to adopt the rule?

Mr. CAPEHART. The only reason he states, and the only reason I have been given by others in the organization, is that the rule has been established in order to save manpower and transportation, the idea being that if the merchandise can be sold to persons living within a given region the merchandise will not have to be moved, or at least moved any great distance. That, however, does not seem to me to be practical. It seems to me that anyone living in a given region who purchases material from the Surplus Property Board can, if he cares to do so—and I am told that the practice is discouraged—turn around and

sell the material to some other person, who in turn can ship it to Indiana or some other State. The only reason I have been able to find for the rule is that it would result in the saving of manpower and transportation.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. HATCH. I was surprised when the Senator said the rule had been made by the Surplus Property Board, because I had encountered it long before the Surplus Property Board was created. The rule was made by the Procurement Division of the Treasury Department. Former Senator Gillette in his letter refers to previous rules, not to rules the Surplus Property Board has made.

Mr. CAPEHART. But the Senator does admit that the ruling is as I have stated?

Mr. HATCH. Yes; it operated very disastrously in my State. I have been complaining and fussing about it for months.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. MAGNUSON. Would the rule have the effect of restricting the sale of property which was declared to be surplus, to individuals who live in the district in which the property is located?

Mr. HATCH. To residents of that district.

Mr. CAPEHART. It can be sold only to residents of a given region. For example, a citizen of Washington could not travel from that State to the State of California and purchase any surplus war material in California.

Mr. MAGNUSON. A constituent of mine traveled to Chicago to purchase some sleeping bags for use in Alaska, but he could not purchase them because their sale was restricted to individuals in the Chicago area.

Mr. CAPEHART. The Senator means that his constituent so discovered when he arrived in Chicago?

Mr. MAGNUSON. Yes; he discovered that when he arrived in Chicago. I agree with the Senator from Indiana that the rule is unfair. If individuals who reside outside a given region strongly desire to buy surplus property, they should have the same right to do so as any other citizens of the country. They should be allowed to proceed to any part of the country they wish to in order to try to purchase surplus property.

Mr. CAPEHART. I think the idea of the regional set-up represents good management and splendid organizations, but it seems to me that every person in the United States should be permitted to bid for the purchase of surplus war materials wherever they may be offered for sale.

Mr. HILL. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. HILL. I wonder if the Senator has taken the matter up with the Procurement Division of the Treasury Department? The reason I ask the question is that it is evident from former Senator Gillette's letter, as was called attention to by the Senator from New Mexico [Mr. HATCH], that the matter is under the authority of the Procurement Division of



the Treasury Department. In fact former Senate Gillette closes his letter with this statement:

I am giving you this preliminary survey of the problem pending the full answer to the wires of your constituent.

And these wires, he says earlier, he has transmitted to the Procurement Division because it seems this particular disposal is under the authority of the Procurement Division rather than under the authority of the Surplus Property Board.

Mr. CAPEHART. The Surplus Property Board provides rules and regulations, does it not?

Mr. HILL. The truth of the matter is, as the Senator will find if he examines the law which Congress passed providing for the disposal of surplus property, that the Surplus Property Board has the function somewhat of an over-all policy agency, but the disposition is not made directly by that Board. The disposition is made by the owning agencies, such as the Procurement Division of the Treasury Department. Under the act there are definite limitations on what the Surplus Property Board may do. It was not the philosophy of the act that the Surplus Property Board should have—as many people no doubt have the idea that it has—the agency administration of the actual job of disposing of the many items of surplus property.

Mr. HATCH. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. HATCH. The situation which the Senator from Alabama has described as to the Board not having that authority is a most unfortunate one. People throughout the country generally believe it does have that authority.

Mr. HILL. The Board does not have that authority, and a reading of the act will show that it was not the intention or the purpose of the Congress that the Board should have that authority, or that the Board should serve as the disposal agency of the Government. The purpose and the intent of the act was that the owning agencies should be the disposal agencies.

Mr. CAPEHART. Is the Senator trying to make the point that I have directed my criticism to the wrong agency?

Mr. HILL. No. I want to say to my distinguished friend that I am not criticizing him. The chances are that if I had not been on the committee which wrote the act I would have done exactly as the Senator did. I would have taken the matter up with the Chairman of the Surplus Property Board.

Mr. CAPEHART. Some 2 weeks ago I took the matter up with the Procurement Division. A constituent of mine who wished to purchase some motorcycles in the Washington region came here from Indiana. I took the matter up with Mr. Moran at that time. He finally gave my constituent permission to purchase the motorcycles, and I understood he did purchase them. However, a special rule was made in that instance. My contention is that any person who will pay more money than anyone else for surplus property should be allowed to go any place in the United States and buy any surplus property he has the money

to buy. I think the situation is quite serious. I took the matter up with the Procurement Division some 2 weeks ago.

Mr. HILL. Mr. President, as I said, I have no intention of criticizing the Senator.

Mr. CAPEHART. No; I am certain of that.

Mr. HILL. On the other hand, I will say to the Senator frankly that it seems to me he has been most diligent in the matter, in view of the fact that he has taken it up with both the Surplus Property Board and the Procurement Division.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. LA FOLLETTE. I merely wish to ask the Senator from Alabama, who is a member of the Military Affairs Committee, which handled the Surplus Property Disposal Act, whether he has any doubt in his own mind that the Surplus Property Board has ample power to issue rules and regulations which will govern the general policies of the various agencies which may be designated to make the actual sales of the property in their possession?

Mr. HILL. Let me say to the Senator from Wisconsin that I believe that under the act the Surplus Property Board has very broad power so far as policies are concerned; and I believe that its power is such that it can lay down the policy with respect to the question raised by the Senator from Indiana.

Mr. LA FOLLETTE. That certainly is my view.

Mr. HILL. It can lay down a policy with respect to the question raised by the Senator from Indiana. It may be that it has not done so.

Mr. LA FOLLETTE. Mr. President, this question was under debate several days ago. I do not recall just when it was, but there was discussion of testimony which had been adduced before the Small Business Committee. There seemed to be some divergence of opinion among Senators who were discussing the subject. I certainly gained the impression that there was some question as to the powers, duties, and functions of the Surplus Property Board. I did not have the advantage of being a member of the Military Affairs Committee, which considered the bill, but I was very much interested in it while it was under consideration in the Senate, and while it was in conference.

It seems to me that there can be no doubt about the intent of Congress to vest in the Surplus Property Board power to establish general policies. If the Board does not now have such power, or is not now exercising it, it seems to me that it is not the fault of Congress, but that the fault lies somewhere in the executive branch of the Government.

Mr. HILL. As I stated to the Senator from Wisconsin, it is my understanding that the Board has broad over-all power as to policies for the disposition of surplus property, although it was the purpose that the actual disposition should be by the owning agencies.

Mr. REVERCOMB. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. REVERCOMB. With respect to the statements of the Senator from Wisconsin and the Senator from Alabama, I rise to say that there is not the least doubt that there is vested in the Surplus Property Board the power to make rules, within the limits of the law itself, to govern and correlate the activities of the disposal agencies. The Board does not dispose of property. It is a centralized power, which was created to lay down rules and make general regulations, and to correlate the action of all the disposal agencies.

The Board can certainly deal with the question which has been raised by the Senator from Indiana. I shall not enter into a discussion at this time as to the wisdom of dividing the country into districts; but that power would seem to lie within the general regulatory powers of the Surplus Property Board to fix methods of disposal by the several agencies.

Mr. AUSTIN. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. AUSTIN. I was a member of the conference which finally agreed, after 4 weeks of very difficult discussion on the surplus-property disposal bill. One of the grave points of difference was the form and authority of the Surplus Property Board. My understanding of what we were trying to do was that Congress should lay down general rules and policies for the disposition of surplus property, and that what we gave to the Board was congressional authority to fill in the details necessary to execute the policies expressed in the law.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. CORDON. Carrying forward the comment just made by the Senator from Vermont, the authority of the Surplus Property Board is set out in section 9 of the Surplus Property Act. It seems to me perfectly clear and explicit. I read it:

Sec. 9 (a). The Board—

Meaning the Surplus Property Board—

shall prescribe regulations to effectuate the provisions of this act. In formulating such regulations the Board shall be guided by the objectives of this act.

(b) Regulations issued pursuant to subsection (a)—

I call attention to the fact that the Surplus Property Board is directed to make such regulations—

may, except as otherwise provided in this act, contain provisions prescribing the extent to which, the times at which, the areas in which, the agencies by which, the prices at which, and the terms and conditions under which, surplus property may be disposed of, and the extent to which and the conditions under which surplus property shall be subject to care and handling.

Subsection (c) provides as follows:

(c) Each Government agency shall carry out regulations of the Board expeditiously and shall issue such further regulations, not inconsistent with the regulations of the Board, as it deems necessary or desirable to carry out the provisions of this act.

It seems to me that there can be no room for question as to where the authority lies, and the place to which any

person objecting has a right to go in questioning any provisions of regulations for the disposal of surplus property under the terms of this act.

Mr. ROBERTSON. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. ROBERTSON. I am very much interested in what the distinguished Senator from Indiana has said, because I am well acquainted with the conditions which exist in Park County, Wyo., where a W. R. A. Japanese camp is situated. As Senators know, that camp and others are scheduled to be closed by the end of this year.

In view of the contemplated closing, it was decided that farming operations in that camp should not be conducted this year. Consequently a great deal of farm machinery and equipment, trucks, tractors, bulldozers, and a general line of farm equipment, became idle. Many farmers and others in that area wrote me asking me to find out what the possibility was of purchasing some of that equipment. I took up the question with Mr. Gillette, Chairman of the Surplus Property Board. He advised me that there would be no sale in Park County, but that the equipment would be moved to Nebraska and sold there, for the reason that it was felt that it would be available to a larger population there than it would be in northern Wyoming.

I wrote to Mr. Gillette and suggested to him that one-third of this equipment should be left at the camp and disposed of by sale there. I did not receive a reply to that letter. In the meantime notices had been sent to the local newspapers that there would be an auction of some of the equipment in that area on the 28th of April—that is next Saturday—and that today purchasers would be permitted to view the various pieces of equipment, making their sealed bids on each item tomorrow.

I wished to let the Senate know of the condition which exists. So far as I recall, that action was taken by the Surplus Property Board, and by no one else.

Mr. CAPEHART. Mr. President, I am grateful to the Senators for reading into the RECORD what I had intended to read into it. I ask unanimous consent to have printed in the RECORD following my remarks the first eight and one-half pages of Public Law 457, Seventy-eighth Congress, second session, chapter 479.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

[Public Law 457—78th Cong.—Ch. 479—2d sess.]

H. R. 5125

An act to aid the reconversion from a war to a peace economy through the distribution of Government surplus property and to establish a Surplus Property Board to effectuate the same, and for other purposes.

Be it enacted, etc., That this act may be cited as the "Surplus Property Act of 1944."

#### OBJECTIVES

SEC. 2. The Congress hereby declares that the objectives of this act are to facilitate and regulate the orderly disposal of surplus property so as—

(a) to assure the most effective use of such property for war purposes and the common defense;

(b) to give maximum aid in the reestablishment of a peacetime economy of free independent private enterprise, the development of the maximum of independent operators in trade, industry, and agriculture, and to stimulate full employment;

(c) to facilitate the transition of enterprises from wartime to peacetime production and of individuals from wartime to peacetime employment;

(d) to discourage monopolistic practices and to strengthen and preserve the competitive position of small business concerns in an economy of free enterprise;

(e) to foster and to render more secure family-type farming as the traditional and desirable pattern of American agriculture;

(f) to afford returning veterans an opportunity to establish themselves as proprietors of agricultural, business, and professional enterprises;

(g) to encourage and foster postwar employment opportunities;

(h) to assure the sale of surplus property in such quantities and on such terms as will discourage disposal to speculators or for speculative purposes;

(i) to establish and develop foreign markets and promote mutually advantageous economic relations between the United States and other countries by the orderly disposition of surplus property in other countries;

(j) to avoid dislocations of the domestic economy and of international economic relations;

(k) to foster the wide distribution of surplus commodities to consumers at fair prices;

(l) to effect broad and equitable distribution of surplus property;

(m) to achieve the prompt and full utilization of surplus property at fair prices to the consumer through disposal at home and abroad with due regard for the protection of free markets and competitive prices from dislocation resulting from uncontrolled dumping;

(n) to utilize normal channels of trade and commerce to the extent consistent with efficient and economic distribution and the promotion of the general objectives of this act (without discriminating against the establishment of new enterprises);

(o) to promote production, employment of labor, and utilization of the productive capacity and the natural and agricultural resources of the country;

(p) to foster the development of new independent enterprise;

(q) to prevent insofar as possible unusual and excessive profits being made out of surplus property;

(r) to dispose of surplus property as promptly as feasible without fostering monopoly or restraint of trade, or unduly disturbing the economy, or encouraging hoarding of such property, and to facilitate prompt redistribution of such property to consumers;

(s) to dispose of surplus Government-owned transportation facilities and equipment in such manner as to promote an adequate and economical national transportation system; and

(t) except as otherwise provided, to obtain for the Government, as nearly as possible, the fair value of surplus property upon its disposition.

#### DEFINITIONS

SEC. 3. As used in this act—

(a) The term "Government agency" means any executive department, board, bureau, commission, or other agency in the executive branch of the Federal Government, or any corporation wholly owned (either di-

rectly or through one or more corporations) by the United States.

(b) The term "owning agency," in the case of any property, means the executive department, the independent agency in the executive branch of the Federal Government, or the corporation (if a Government agency), having control of such property, otherwise than solely as a disposal agency.

(c) The term "disposal agency" means any Government agency designated under section 10 to dispose of one or more classes of surplus property.

(d) The term "property" means any interest, owned by the United States or any Government agency, in real or personal property, of any kind, wherever located, but does not include (1) the public domain or such lands withdrawn or reserved from the public domain as the Surplus Property Board (created by section 5) determines are suitable for return to the public domain for disposition under the general land laws, or (2) naval vessels of the following categories: Battleships, cruisers, aircraft carriers, destroyers, and submarines.

(e) The term "surplus property" means any property which has been determined to be surplus to the needs and responsibilities of the owning agency in accordance with section 11.

(f) The term "contractor inventory" means (1) any property related to a terminated contract of any type with a Government agency or to a subcontract thereunder; and (2) any property acquired under a contract pursuant to the terms of which title is vested in the Government, and in excess of the amounts needed to complete performance thereunder; and (3) any property which the Government is obligated to take over under any type of contract as a result of any change in the specifications or plans thereunder.

(g) The term "care and handling" includes completing, repairing, converting, rehabilitating, operating, maintaining, preserving, protecting, insuring, storing, packing, handling, and transporting, and, in the case of property which is dangerous to public health or safety, destroying, or rendering innocuous, such property.

(h) The term "person" means any individual, corporation, partnership, firm, association, trust, estate, or other entity.

(i) The term "State" includes the several States, Territories, and possessions of the United States, and the District of Columbia.

(j) The term "tax-supported institution" means any scientific, literary, educational, public-health, or public-welfare institution which is supported in whole or in part through the use of funds derived from taxation by the United States, or by any State or political subdivision thereof.

(k) The term "veteran" means any person in the active military or naval service of the United States during the present war, or any person who served in the active military or naval service of the United States on or after September 16, 1940, and prior to the termination of the present war, and who has been discharged or released therefrom under honorable conditions.

#### DISPOSITION OF SURPLUS PROPERTY—GENERAL RULE

SEC. 4. Surplus property shall be disposed of to such extent, at such times, in such areas, by such agencies, at such prices, upon such terms and conditions, and in such manner, as may be prescribed in or pursuant to this act.

#### SURPLUS PROPERTY BOARD

SEC. 5. (a) There is hereby established in the Office of War Mobilization, and in its successor, a Surplus Property Board (hereinafter called the "Board"), which shall be composed of three members, each of whom shall be appointed by the President, by and with



the advice and consent of the Senate, and shall receive compensation at the rate of \$12,000 per annum. The term of office of the members shall be 2 years, except that the term of office of the members first appointed shall expire 2 years from the date of the enactment of this act, and the next succeeding terms shall then begin, and any person appointed to fill a vacancy caused by the death, resignation, or removal of a member prior to the expiration of the term of such member shall be appointed only for such unexpired term. The President shall designate one of the members of the Board as Chairman.

(b) The Board may, within the limits of funds which may be made available, appoint and fix the compensation of such officers and employees, and may make such expenditures for supplies, facilities, and services, as may be necessary to carry out its functions. Without regard to the provisions of the civil-service laws and the Classification Act of 1923, as amended, the Board may appoint such special assistants, and may employ such certified public accountants, qualified cost accountants, industrial engineers, appraisers, and other experts, and fix their compensation, and may contract with such certified public accounting firms and qualified firms of engineers, as may be necessary to carry out its functions.

#### DUTIES AND AUTHORITY OF BOARD

SEC. 6. The activities of the Board shall be coordinated with the programs of the armed forces of the United States in the interests of the war effort. Until peace is concluded the needs of the armed forces are hereby declared and shall remain paramount. The Board shall have general supervision and direction, as provided in this act, over (1) the care and handling and disposition of surplus property, and (2) the transfer of surplus property between Government agencies.

#### COOPERATION WITH INTERESTED GOVERNMENT AGENCIES

SEC. 7. The Board shall advise and consult with other interested Government agencies with a view to obtaining all aid and assistance possible in coordinating the functions of the several agencies affected by the disposition of surplus property.

#### DELEGATION OF AUTHORITY

SEC. 8. The head of any Government agency, except the Board, may delegate, and authorize successive redelegations of, any authority conferred upon him or his agency by or pursuant to this act to any officer, agent, or employee of such agency or, with the approval of the Board, to any other Government agency.

#### REGULATIONS

SEC. 9. (a) The Board shall prescribe regulations to effectuate the provisions of this act. In formulating such regulations, the Board shall be guided by the objectives of this act.

(b) Regulations issued pursuant to subsection (a) may, except as otherwise provided in this act, contain provisions prescribing the extent to which, the times at which, the areas in which, the agencies by which, the prices at which, and the terms and conditions under which, surplus property may be disposed of, and the extent to which and the conditions under which surplus property shall be subject to care and handling.

(c) Each Government agency shall carry out regulations of the Board expeditiously and shall issue such further regulations, not inconsistent with the regulations of the Board, as it deems necessary or desirable to carry out the provisions of this act.

(d) Regulations prescribed under this act shall be published in the Federal Register.

#### DESIGNATION OF DISPOSAL AGENCIES

SEC. 10. (a) Except as provided in subsection (b) of this section, the Board shall

designate one or more Government agencies to act as disposal agencies under this act. In exercising its authority to designate disposal agencies, the Board shall assign surplus property for disposal by the fewest number of Government agencies practicable and, so far as it deems feasible, shall centralize in one disposal agency responsibility for the disposal of all property of the same type or class.

(b) The United States Maritime Commission shall be the sole disposal agency for surplus vessels which the Commission determines to be merchant vessels or capable of conversion to merchant use, and such vessels shall be disposed of only in accordance with the provisions of the Merchant Marine Act, 1936, as amended, and other laws authorizing the sale of such vessels.

#### DECLARATION AND DISPOSITION OF SURPLUS PROPERTY

SEC. 11. (a) Each owning agency shall have the duty and responsibility continuously to survey the property in its control and to determine which of such property is surplus to its needs and responsibilities.

(b) Each owning agency shall promptly report to the Board and the appropriate disposal agency all surplus property in its control which the owning agency does not dispose of under section 14.

(c) Whenever in the course of the performance of its duties under this act, the Board has reason to believe that any owning agency has property in its control which is surplus to its needs and responsibilities and which it has not reported as such, the Board shall promptly report that fact to the Senate and House of Representatives. Each owning agency and each disposal agency shall submit to the Board (1) such information and reports with respect to surplus property in the control of the agency, in such form, and at such reasonable times, as the Board may direct; (2) such information and reports with respect to other property in the control of the agency, to such extent, and in such form as the Board may direct and as the agency deems consistent with national security.

(d) When any surplus property is reported to any disposal agency under subsection (b) of this section, the disposal agency shall have responsibility and authority for the disposition of such property, and for the care and handling of such property pending its disposition, in accordance with regulations prescribed by the Board. Where the disposal agency is not prepared at the time of its designation under this act to undertake the care and handling of such surplus property the Board may postpone the responsibility of the agency to assume its duty for care and handling for such period as the Board deems necessary to permit the preparation of the agency therefor.

(e) The Board shall prescribe regulations necessary to provide, so far as practicable, for uniform and wide public notice concerning surplus property available for sale, and for uniform and adequate time intervals between notice and sale so that all interested purchasers may have a fair opportunity to buy.

(f) No surplus property which was processed, produced, or donated by the American Red Cross for any Government agency shall be disposed of except after notice to and consultation with the American Red Cross. All or any portion of such property may be donated to the American Red Cross, upon its request, solely for charitable purposes.

(g) Each disposal agency shall maintain in each of its disposal offices such records of its inventories of surplus property and of each disposal transaction negotiated by that office as the Board may prescribe. The information in such records shall be available at all reasonable times for public inspection.

#### UTILIZATION OF SURPLUS PROPERTY BY FEDERAL AGENCIES

SEC. 12. (a) It shall be the duty of the Board to facilitate the transfer of surplus property from one Government agency to other Government agencies for their use; and the transfer of surplus property under this section shall be given priority over all other disposals provided for in this act.

(b) It shall be the responsibility of all Government agencies, in order to avoid making purchases through commercial channels, continuously to consult the records of surplus property established by the Board and to determine whether their requirements can be satisfied out of such surplus property. It shall also be the responsibility of the head of each Government agency to submit to the Board such estimates of the needs of the agency and such reports in relation thereto as the Board may deem necessary to promote the fullest utilization of surplus property. It shall be the responsibility of the Board to determine whether Government agencies are acquiring surplus property to the fullest possible extent, and to notify agencies whenever, in its judgment, they are not so doing.

(c) The disposal agency responsible for any such property shall transfer it to the Government agency acquiring it at the fair value of the property as fixed by the disposal agency, under regulations prescribed by the Board, unless transfer without reimbursement or transfer of funds is otherwise authorized by law.

#### DISPOSAL TO LOCAL GOVERNMENTS AND NONPROFIT INSTITUTIONS

SEC. 13. (a) The Board shall prescribe regulations for the disposition of surplus property to States and their political subdivisions and instrumentalities, and to tax-supported and nonprofit institutions, and shall determine on the basis of need what transfers shall be made. In formulating such regulations the Board shall be guided by the objectives of this act and shall give effect to the following policies to the extent feasible and in the public interest:

(1) (A) Surplus property that is appropriate for school, classroom, or other educational use may be sold or leased to the States and their political subdivisions and instrumentalities, and tax-supported educational institutions, and to other nonprofit educational institutions which have been held exempt from taxation under section 101 (6) of the Internal Revenue Code.

(B) Surplus medical supplies, equipment, and property suitable for use in the protection of public health, including research, may be sold or leased to the States and their political subdivisions and instrumentalities, and to tax-supported medical institutions, and to hospitals or other similar institutions not operated for profit which have been held exempt from taxation under section 101 (6) of the Internal Revenue Code.

(C) In fixing the sale or lease value of property to be disposed of under subparagraph (A) and subparagraph (B) of this paragraph, the Board shall take into consideration any benefit which has accrued or may accrue to the United States from the use of such property by any such State, political subdivision, instrumentality, or institution.

(2) Surplus property shall be disposed of so as to afford public and governmental institutions, nonprofit or tax-supported educational institutions, charitable and eleemosynary institutions, nonprofit or tax-supported hospitals and similar institutions, States, their political subdivisions and instrumentalities, and volunteer fire companies, an opportunity to fulfill, in the public interest, their legitimate needs.

(b) Under regulations prescribed by the Board, whenever the Government agency authorized to dispose of any property finds that it has no commercial value or that the

cost of its care and handling and disposition would exceed the estimated proceeds, the agency may donate such property to any agency or institution supported by the Federal Government or any State or local government, or to any nonprofit educational or charitable organization, or, if that is not feasible, shall destroy or otherwise dispose of such property, but, except in the case of property the immediate destruction of which is necessary or desirable either because of the nature of the property or because of the expense or difficulty of its care and handling, no property shall be destroyed until 30 days after public notice of the proposed destruction thereof has been given (and a copy of such notice given to the Board at the beginning of such 30-day period) and an attempt has been made within such 30 days to dispose of such property otherwise than by destruction.

(c) No airport and no harbor or port terminal, including necessary operating equipment, shall be otherwise disposed of until it has first been offered, under regulations to be prescribed by the Board, for sale or lease to the State, political subdivisions thereof, and any municipality, in which it is situated, and to all municipalities in the vicinity thereof.

(d) Whenever any State or political subdivision thereof, or any State or Government agency or instrumentality certifies to the Board that any power transmission line determined to be surplus property under the provisions of this act is useful for or adaptable to the requirements of any public or cooperative power project, such line and the right-of-way acquired for its construction shall not be sold, leased for more than 1 year, or otherwise disposed of, except as provided in section 12 or this section, unless specifically authorized by act of Congress.

(e) In disposing of any surplus real property, as defined in section 23, on or across which highways or streets had been established and constructed and were being maintained by the States or their political subdivisions or instrumentalities at the time such surplus real property was acquired by the Government, and where such highways or streets were vacated, destroyed, or shut off from general public use in order to meet the requirements and serve the purposes of the Government, the States or their political subdivisions or instrumentalities first shall be given a reasonable time, to be fixed by the Board, in which to repurchase the original rights-of-way on which such highways or streets were established and in which to purchase such new or additional rights-of-way as may be required for reestablishing, in whole or in part, such highways or streets of greater width or on new and more adequate locations, at a price not exceeding that paid therefor by the Government.

(f) The disposal of surplus property under this section to States and political subdivisions and instrumentalities thereof shall be given priority over all other disposals of property provided for in this act except transfers under section 12.

Mr. CAPEHART. Mr. President, I wish to say in conclusion that I realize the importance of properly disposing of surplus war materials. I do not believe anyone realizes more keenly than I do the tremendous and complex job which is involved. It is a hard job. To my mind the disposal of surplus property is one of the most difficult problems which face us. My only hope, and my reason for calling the matter to the attention of the Senate, was that we might do something about it, either through amending the present surplus property law or by talking to those who are responsible for the administration of the law.

Mr. HILL. Mr. President, I do not wish to detain the Senate. The Senator from Indiana very kindly placed in the RECORD the letter he had received from former Senator Gillette, Chairman of the Surplus Property Board. However, I feel that at this point I should bring to the attention of the Senate an excerpt from the letter, because to my mind it shows very clearly that what the Surplus Property Board is seeking to do and has sought to do is to make the property as widely available to everyone as possible. Instead of having any thought of limiting the availability of the property to any particular group or section, the idea of the Board seems to be to try to make the property as widespread as possible in its availability.

Former Senator Gillette said this in his letter:

It was in their minds—

Referring to the Board—

that where property was declared surplus in one locality, it was discriminatory to the rest of the country if they had to travel long distances to inspect the property. For instance, if machinery was declared surplus at Atlanta, Ga., it was obviously impossible for prospective buyers to come from Oregon or Maine and bid in competition with those in the near area. To obviate this difficulty, the policy of setting up around a dozen regional offices was established where the concentration could be made more accessible. Of course, it follows that there is still something of unfairness, and a number of protests have come to me whereby prospective purchasers at the edge of one region would find it more convenient to go to an adjoining region concentration point which was nearer to them. There seems to be little doubt that the regional system is a big improvement over the concentration at one point.

I share with the Senator from Indiana the feeling that surplus property should be given the widest possible availability to all the people. I wish to call attention to the fact that it certainly seems to be the thought and purpose of the Board, as evidenced by its action in establishing the regions and by the statements contained in the letter of former Senator Gillette, to try to do that very thing. It may be that the Board has not done it; it may be that it has failed; but certainly its purpose and its motive, as evidenced by the statements contained in the letter, are good, and it seeks to do what the Senator from Indiana and the rest of us would have it do.

Mr. CAPEHART. Mr. President, will the Senator yield to me?

Mr. HILL. I yield.

Mr. CAPEHART. At the beginning of my remarks, I believe I congratulated the Board for setting up the regional offices which would concentrate the selling of surplus war merchandise in given locations. I think that is excellent. I concede that by doing so the demands on transportation and manpower have been decreased. But I cannot agree that the wide distribution in the sale of surplus property, which the Surplus Property Act calls for, can be had by denying a resident of a given State the right to buy such materials in some other State. I simply cannot conceive that that is so.

Mr. HILL. On that point former Senator Gillette said in his letter:

Of course, it follows that there is still something of unfairness.

Evidently he agrees with the Senator.

I wish to bring out the point that I think it is very clear from a reading of the letter of Chairman Gillette that what the Board had in mind and what it seemed to be seeking to do in establishing the regional offices was the very thing which I think the Senator from Indiana and, indeed, most of the Senators would have it do.

Mr. CAPEHART. Mr. President, will the Senator yield to me again?

Mr. HILL. I yield.

Mr. CAPEHART. Chairman Gillette said in his letter that the Board did not set up the regional offices, but that they were set up by the Procurement Division of the Treasury Department. Therefore, according to his letter, which the Senator read a moment ago, Chairman Gillette did not set up the regional offices and is not responsible for them; but they were there, as the Senator from New Mexico said, when he arrived.

Some 2 weeks ago I talked to Mr. Moran, of the Procurement Division of the Treasury Department. Thus far I have not been able to obtain a satisfactory answer. One of the answers he gave to a dealer in Indiana was that the act specifies that, wherever possible, the merchandise is to be routed through regular distribution channels, but that if the dealers did not stop complaining they would sell the merchandise directly to the consumers, in competition with the dealers.

Personally, as a businessman, I cannot conceive of any rule or regulation which would deny to any American the right to purchase surplus war materials. I do not know how other Senators feel about the matter.

Mr. WHEELER. Mr. President, of course, I cannot conceive how any department of our Government has a right to say to John Smith or John Q. Citizen, "You cannot buy the property of the Government at any place in the United States where you wish to buy it." In the first place, no department of the Government has the right under any law about which I know to establish a rule that any citizen of the United States cannot bid on any Government property at any place in the United States. I think it unfortunate that a rule of that kind has been made.

Mr. HILL. Mr. President, will the Senator yield in that connection?

Mr. WHEELER. I yield.

Mr. HILL. The Senator from Vermont and I lived with this problem in the conference committee for several weeks. There are many difficulties about it which do not appear on its face. For instance, consider the question of farm machinery. It might be that the Government could let one big dealer buy all the surplus farm machinery and distribute it. The Government might obtain a better price by doing so. But in the act we wrote the policy that there should be an attempt to have the farm



machinery placed in the hands of individual farmers.

The only reason I call attention to that situation is that those of us who lived with this problem in committee for 4 solid weeks in the committee on conference trying to have the bill written, realize that many difficulties are involved. We recall the selling of surplus property after the last war. There was quite a story about the sale of raincoats at that time. A dealer came to Washington and bought all the surplus raincoats. He paid the Government what seemed to be a fairly good price for them. Certainly there was no other dealer who was willing to bid on the entire supply of raincoats. That dealer then sold the raincoats in small lots or sold them separately to individuals, and he made an enormous profit. So that question enters into the situation.

If we want the surplus property to be distributed to the farmers and to other groups which we are trying to take care of, we cannot always say that any citizen may buy the surplus property. There are many different limitations of such a nature.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. WHEELER. Mr. President, I have the floor, and I wish to make a brief statement.

I understand that some of this machinery is advertised piece by piece. So what the Senator has said with reference to that subject would not have any effect on the situation.

I have received a complaint from a constituent of mine. I did not intend to bring the matter up now because I had expected to take it up with the Board. A constituent of mine wanted to buy some surplus materials. He said that he had put in a bid which was larger than the bid submitted by another person, but he was denied the right to have his bid considered because the particular property in which he was interested was being sold for a large lump sum. It seems to me the present rule is perfectly unfair and that considerable complaint will result if it is continued in effect. I can understand that in some particular lines it may be to the advantage of the Government to sell in larger lots than in smaller lots. But clearly the Board is wrong when it says to John Smith, for example, "You can bid on something in Chicago because that city is in your district, but you cannot bid on similar merchandise in Seattle."

It seems to me that it is not right to say that an American citizen cannot bid on Government property wherever it may be. A man in my State might wish to bid on some bolts, or articles of that kind. The bolts might not be for sale in his district and yet, he could not bid on them in any other district.

Mr. CAPEHART. Mr. President, I think the plan of having 12 regions in which to concentrate surplus material is, as I have said, an excellent one. In my opinion it should possibly be increased to 24 or 36. At the present time all this merchandise is concentrated at one place. However, it should be sold to any person in the United States who is willing to

pay the highest price, regardless of where the property may be located.

I ask the distinguished Senator from Alabama [Mr. HILL] if, in his opinion, the Surplus Property Board has the right to change the regulations of the Procurement Division, in which the rule was established that a person must live in a particular region in order to be allowed to bid on surplus property.

Mr. HILL. I have not read the act since it was passed last September, but my opinion is that today the Surplus War Property Board has such authority.

Mr. HATCH. Mr. President, I rose only to say that the committee, though not a legislative committee, has devoted some thought and study to the question of the disposal of surplus property. The question which has been raised today is not exactly a new one. As a matter of fact, Congress gave the Surplus War Property Board full power and authority to issue regulations. That is just about the extent of the power which it has been given. The Board may make regulations and establish policies, but it has no power to enforce or carry out those policies.

Mr. FERGUSON. Mr. President, will the Senator yield?

Mr. HATCH. I yield to the Senator from Michigan.

Mr. FERGUSON. As an enforcement agency the Board would have power, however, to change an agency if it should refuse to carry out the language and the spirit of a rule or regulation which had been issued.

Mr. HATCH. The Board would have no way of knowing whether the agency was carrying out the rule or regulation. Is that not true?

Mr. FERGUSON. The Senator said that the Board would have no way of knowing.

Mr. HATCH. No; they have no method of ascertaining.

Mr. FERGUSON. Mr. President, I think they would have the method of ascertaining through complaints.

Mr. HATCH. Yes; they could read the public press.

Mr. FERGUSON. I think perhaps they would receive a sufficient number of letters from Representatives and Senators to indicate that in many cases rules and regulations were not being observed. As I recall, the Chairman of the Board indicated that the difficulty was this: When they wanted to make a rule or regulation under the authority given to them by the act of Congress they had to submit the rule or regulation to approximately 23 agencies. They then had to wait, often for weeks, before hearing from the agencies, and then were informed that some particular agency was opposed to a certain rule or regulation for one reason or another. They then had to start over again and resubmit a new rule or regulation. I am informed by high authority in the Army that sales are not being made, and therefore there is trouble with the officials of the Army in declaring additional articles to be surplus property.

Mr. HATCH. Mr. President, I was about to raise that question. Before the Board or Treasury Department has any

jurisdiction over the property, it must be declared to be surplus property.

Mr. FERGUSON. The Army has been making the complaint that when they declare surplus property to be surplus property in many cases it is not sold.

Mr. HATCH. Perhaps I am mistaken, but I am asking for information. Do they not go ahead and dispose of it themselves?

Mr. FERGUSON. I believe they do.

Mr. HATCH. They do not declare it surplus.

Mr. FERGUSON. On many occasions they have disposed of property because they had been authorized to declare it surplus property under certain circumstances. I think that what we need is action on the part of the Board, and a determination on their part to carry out the will of Congress, and see that that surplus property is distributed at a time when it is needed in the civilian life of the Nation.

Mr. BANKHEAD. Mr. President, will the Senator yield?

Mr. HATCH. Mr. President, I do not choose to yield further because I wish to have some understanding about the matter. However, I yield to the Senator from Alabama.

Mr. BANKHEAD. Mr. President, Senate bill 383 was made the unfinished business of the Senate. It has been pending for some time, and I have patiently waited for the time to be reached when the bill could be disposed of. I do not think it will take more than 10 minutes to dispose of it. If any Senator wants it to go over, I shall make no objection.

The PRESIDENT pro tempore. Senate bill 383 is still before the Senate and open to amendment.

Mr. HATCH. Mr. President, I wish to say that I believe there is no more important subject before the country than that concerning the disposal of Government surplus property.

Mr. BANKHEAD. The subject is not a matter now pending before the Senate.

Mr. HATCH. I am trying to be gracious, Mr. President.

Mr. BANKHEAD. I shall not at this time insist on consideration of the bill if the Senator from New Mexico wishes to proceed.

Mr. HATCH. Mr. President, at some later date I hope that we can take up the whole subject relating to the disposal of Government surplus property, discuss it, and arrive at some reasonable, logical, and fair conclusion. I now take my seat and yield to the Senator from Alabama.

Mr. AUSTIN. Mr. President, will the Senator from Alabama yield?

Mr. BANKHEAD. I yield.

Mr. AUSTIN. I shall not take more than 5 seconds.

Mr. BANKHEAD. I shall certainly yield to the Senator, even for an indefinite time.

Mr. AUSTIN. I call attention to section 6 of the Surplus Property Act, giving the duties and authority of the Board, where it will be found that the Board has complete authority over articles of surplus property. On the same page is section 9 (c), where it is provided that if a disposal agency makes

subsequent rules, they must not be inconsistent with the rules of the Board. That is all.

#### DEVELOPMENT OF COOPERATIVE AGRICULTURAL EXTENSION WORK

The Senate resumed the consideration of the bill (S. 383) to provide for the further development of cooperative agricultural extension work.

The PRESIDENT pro tempore. The bill is open to amendment.

Mr. BANKHEAD. Mr. President, I hope we can conclude the consideration of the bill in a very few minutes.

The PRESIDENT pro tempore. If there is no amendment to be offered, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

*Be it enacted, etc.* That title II of the act entitled "An act to provide for research into basic laws and principles relating to agriculture and to provide for the further development of cooperative agricultural extension work and the more complete endowment and support of land-grant colleges," approved June 29, 1935 (the Bankhead-Jones Act), is amended by adding at the end thereof the following new section:

"Sec. 23. (a) In order to further develop the cooperative extension system as inaugurated under the act entitled 'An act to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of the act of Congress, approved July 2, 1862, and all acts supplementary thereto, and the United States Department of Agriculture,' approved May 8, 1914 (U. S. C., title 7, secs. 341-343, 344-348), particularly for the further development of county extension work, there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, for the purpose of paying the expenses of cooperative extension work in agriculture and home economics, including assistance to farm people in improving their standards of living, assistance in developing individual farm and home plans, better marketing and distribution of farm products, work with rural youth in 4-H Clubs and older out-of-school youth, guidance of farm people in improving farm and home buildings, development of effective programs in nutrition, and for the necessary printing and distribution of information in connection with the foregoing, the following sums:

"(1) \$4,500,000 for the fiscal year ending June 30, 1946, and each subsequent fiscal year;

"(2) An additional \$4,000,000 for the fiscal year ending June 30, 1947, and each subsequent fiscal year; and

"(3) An additional \$4,000,000 for the fiscal year ending June 30, 1948, and each subsequent fiscal year.

"(b) The sums appropriated pursuant to this section shall be paid to the several States and the Territory of Hawaii in the same manner and subject to the same conditions and limitations as the additional sums appropriated under such act of May 8, 1914 (the Smith-Lever Act), except that—

"(1) not more than 2 percent of the sum appropriated pursuant to this section for each fiscal year shall be available for paying expenses of the Extension Service in the United States Department of Agriculture;

"(2) \$500,000 of the sum so appropriated for each fiscal year shall be allotted among the States and the Territory of Hawaii by the Secretary of Agriculture on the basis of special needs due to population charac-

teristics, area in relation to farm population, or other special problems, as determined by such Secretary;

"(3) the remainder of the sum so appropriated for each fiscal year shall be paid to the several States and the Territory of Hawaii in the proportion that the farm population of each bears to the total farm population of the several States and Territory of Hawaii, as determined by the census of 1940; and

"(4) the several States and the Territory of Hawaii shall not be required to offset or match the funds allotted from sums appropriated pursuant to subparagraph (1) of subsection (a) of this section.

"(c) The sums appropriated pursuant to this section shall be in addition to and not in substitution for sums appropriated under such act of May 8, 1914, as amended and supplemented, or sums otherwise appropriated for agricultural extension work. Allotments to any State or the Territory of Hawaii for any fiscal year from the appropriations herein authorized shall be available for payment to such State or the Territory of Hawaii only if such State or the Territory of Hawaii complies, for such fiscal year, with the provisions with reference to offset of appropriations (other than appropriations under this section and section 21 of this title) for agricultural extension work."

Sec. 2. Section 21 of such act of June 29, 1935, is amended by striking out "(other than appropriations under this section)" and inserting in lieu thereof "(other than appropriations under this section and section 23 of this title)."

#### CEILING PRICE FOR TOBACCO

Mr. MAYBANK. Mr. President, for the past few weeks I have followed with interest the fight of the American tobacco growers of Maryland for an increase in the ceiling price of tobacco. I come from one of the largest tobacco-growing States in the country, and our people have had this subject before the O. P. A. and before the Economic Stabilization Director on many occasions. I have hesitated to say anything while Senators were debating the pending business today, but I take this opportunity to commend those who represented the State of Maryland and to commend the farmers of Maryland for having secured an increase of 2 cents a pound in the price of their tobacco.

Mr. President, the reason given by the Economic Stabilization Director for the increase was that the costs of labor and farm machinery and other items make it necessary.

At this very moment the farmers of the Carolinas are setting out their tobacco, plowing their fields, and attending their crops, from sun up to sun down, with but little labor, and with machinery that is quite expensive. Laborers working in the war factories nearby along the Atlantic Seaboard are paid 2, 3, 4, and sometimes 5 times as much as the farmers could afford to pay them.

Mr. President, I desire to bring this matter to the attention of the Senate because in July and August our farmers will be called upon to sell their tobacco, and I hope that the same treatment will be accorded the tobacco of our farmers in their tobacco market as is given in what are known as the border markets, within 50 miles of the North Carolina-South Carolina line, where most of the tobacco of the world is produced. I hope the same treatment will be accorded

them when they bring their tobacco to the market for sale in July and August.

For the RECORD, I ask unanimous consent that following my brief remarks there be printed the story in the Evening Star of yesterday of the increase in the ceiling price secured by the Maryland tobacco producers.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

#### MARYLAND TOBACCO CEILING RAISED 2 CENTS; SOME SALES BEGIN

Some southern Maryland tobacco warehouses began selling the bumper 1944 crop today following announcement of a 2-cent ceiling price increase by the Office of Price Administration yesterday.

Markets at La Plata, Hughesville, and Waldorf began operations today, and the Baltimore and Upper Marlboro markets were ready to start tomorrow.

The O. P. A. said the increase—from 55 cents to 57 cents—is based on a directive issued by the Office of Economic Stabilization, and will apply to all Maryland tobacco, whether the grower sells in hogsheads or on the loose-leaf market.

The O. E. S. issued the directive after further examination of evidence submitted by growers and warehousemen disclosed that "the 2-cent increase is necessary for growers to obtain a weighted average price of about 48 cents a pound."

Representative SASSER, who with Senators TYDINGS and RADCLIFFE, Democrats, of Maryland, led a group of growers and warehousemen in a ceiling price appeal to Stabilization Director William H. Davis, expressed gratification that "Mr. Davis has given us some relief."

"In view of our increasing costs and past averages," Mr. SASSER said, "I do not think 57 cents is enough, but 57 cents is better than the 55 cents proposed last week."

On the basis of a 30,000,000-pound crop, officials estimated the increase would add about \$600,000 to tobacco growers' income.

George Sachse, general manager of the Maryland Tobacco Growers' Association in Baltimore, said Maryland tobacco men "are still dissatisfied with the 48-cent average originally set by the O. P. A. and retained in the revised order and will survey the situation and see if any further steps can be taken to raise the average set as this year's goal by the O. P. A."

Warehouses throughout the State originally scheduled to begin sales April 17, remained closed pending the ceiling price appeal. This is the second year sales have been delayed pending a price adjustment.

#### ATTENDANCE IN THE SENATE

Mr. ELLENDER. Mr. President, I wish to announce that the distinguished junior Senator from Mississippi [Mr. EASTLAND] and I missed the last roll call by about 40 seconds. We were very busily engaged in a hearing before the Committee on Territories and Insular Affairs, which is presided over by the senior Senator from Maryland [Mr. TYDINGS], who is still in the committee hearing. We were asked to be in attendance this afternoon so as to accommodate quite a number of Puerto Ricans who flew to Washington some time ago in order to appear before our committee in connection with the independence bill.

#### EXECUTIVE SESSION

Mr. HILL. I move that the Senate proceed to consider executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.



## EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. WALSH, from the Committee on Naval Affairs:

Capt. Carl F. Holden, United States Navy, to be a rear admiral in the Navy, for temporary service, to rank from the 10th day of August 1943;

Capt. Edwin T. Short, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving as commander of a transport squadron, and until reporting for other permanent duty;

Capt. Samuel P. Jenkins, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving as commander of a transport squadron, and until reporting for other permanent duty;

Capt. Alexander S. Wotherspoon, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving as commander of a transport squadron, and until reporting for other permanent duty;

Capt. Harvey E. Overesch, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving as chief of staff to commander, Hawaiian Sea Frontier, and until reporting for other permanent duty; and

Capt. Richard W. Bates, United States Navy, to be a commodore in the Navy, for temporary service, to continue while serving as commander, motor torpedo boat squadrons, United States Pacific Fleet, and until reporting for other permanent duty.

By Mr. McKELLAR, from the Committee on Post Offices and Post Roads:  
Sundry postmasters.

## ON INCOMES AND ESTATES—REMOVAL OF INJUNCTION OF SECRECY FROM CONVENTIONS

Mr. HILL. Mr. President, on behalf of the chairman of the Committee on Foreign Relations [Mr. CONNALLY], I ask unanimous consent that the injunction of secrecy be removed from Executive D, a convention between the United States of America and the United Kingdom of Great Britain and Northern Ireland, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on incomes, signed at Washington on April 16, 1945, and also that the injunction of secrecy be removed from Executive E, a convention between the United States of America and the United Kingdom of Great Britain and Northern Ireland, for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons, signed at Washington on April 16, 1945.

The PRESIDENT pro tempore. Without objection, the injunction of secrecy will be removed from the conventions and they will be published in the RECORD.

The President's message of transmittal, and the conventions, with accompanying papers, are as follows:

EXECUTIVE D, SEVENTY-NINTH CONGRESS, FIRST SESSION—CONVENTION WITH GREAT BRITAIN AND NORTHERN IRELAND WITH RESPECT TO TAXES ON INCOMES

THE WHITE HOUSE, April 24, 1945.

To the Senate of the United States:

With a view to receiving the advice and consent of the Senate to ratification, I transmit herewith two conventions between the United States of America and the United Kingdom of Great Britain and Northern Ireland, which were signed in Washington on April 16, 1945, as follows:

(1) A convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, and (2) a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons.

The conventions have the approval of the Department of State and the Treasury Department.

I also transmit herewith, for the information of the Senate, the report of the Secretary of State with respect to the conventions.

HARRY S. TRUMAN.

[Enclosures: (1) Report of the Secretary of State; (2) convention between the United States and the United Kingdom, signed April 16, 1945, relating to taxes on income; (3) convention between the United States and the United Kingdom, signed April 16, 1945, relating to taxes on the estates of deceased persons.]

DEPARTMENT OF STATE,  
Washington, April 16, 1945.

The PRESIDENT,

The White House:

The undersigned, the Secretary of State, has the honor to lay before the President, with a view to their transmission to the Senate to receive the advice and consent of that body to ratification, if his judgment approve thereof, two conventions between the United States of America and the United Kingdom of Great Britain and Northern Ireland, which were signed in Washington on April 16, 1945, as follows: (1) A convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, and (2) a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estates of deceased persons.

The Department of State and the Treasury Department collaborated in the negotiation of the conventions. The conventions have the approval of both Departments.

Realizing that the imposition and collection of taxes upon the same income or upon the same estate by both the United States of America and the United Kingdom may, and often do, result in double taxation of a severe character, representatives of this Government have engaged in technical discussions with representatives of the British Government with a view to determining the bases upon which conventions between the two Governments might be concluded for the purpose of avoiding double taxation, insofar as practicable, modifying certain conflicting principles of taxation for this purpose, and establishing certain procedures for the exchange of information between the two countries in relation to taxation. The two conventions submitted herewith were formulated as a result of those discussions.

In matters of principle and substance, most of the provisions of the convention relating to taxes on income are consistent, if not identical, with provisions in one or another of the existing income-tax conventions between the United States of America and certain foreign countries, namely (1) the convention and protocol of March 23, 1939, with Sweden, which became effective on January 1, 1940; (2) the convention and protocol of March 4, 1942, with Canada, which was made effective as of January 1, 1941; and (3) the convention and protocol of July 25, 1939, with France, which became effective on January 1, 1945.

The convention relating to taxes on the estates of deceased persons is similar, in substantial respects, to the existing convention of June 8, 1944, between the United States of America and Canada, relating to double taxation in the case of estate taxes and succession duties, which, upon the ex-

change of instruments of ratification, became effective as of June 14, 1941.

It is believed that the application of the provisions of an income-tax convention of the kind submitted herewith will constitute a definite step toward the removal of an undesirable impediment to international trade which results from the double taxation of incomes, and that the application of the provisions of an estate-tax convention of the kind submitted herewith will go far toward eliminating double taxation in connection with the settlement in either country of estates in which nationals of the other country have interests. The two conventions establish a satisfactory basis for the ultimate accomplishment of objectives in the mutual interest of the two countries.

Considering each of the two conventions separately, statements in further explanation are made in the paragraphs below.

## CONVENTION RELATING TO TAXES ON INCOME

The major features of the income-tax convention may be summarized as follows:

(1) Specific reference to the taxes to which the convention relates and extensive definition of terms found in the convention (arts. I and II).

(2) Adoption of principles affecting the determination of amount and affecting the taxation, of business income derived by business enterprises of one country from sources within the other country (arts. III, IV, and V).

(3) Reduction in the United States rate of tax at the source from 30 to 15 percent in the case of dividends moving from the United States to the United Kingdom and, correspondingly, continuance of the existing British system of exemption from income tax, and adoption of exemption from United Kingdom surtax, in the case of dividends moving from the United Kingdom to the United States (art. VI).

(4) Exemption from taxation of (a) interest, (b) royalties, (c) Government salaries, (d) annuities and pensions, and (e) earned income derived from sources in one country by residents or corporations of the other country not engaged in trade or business in the former country (arts. VII, VIII, IX, X, XI, and XII).

(5) Continuation and expansion by the United States of the credit for foreign income taxes, and adoption by the United Kingdom of the principle of credit for United States income tax (art. XIII).

(6) Alleviation, with respect to residents of the United Kingdom, of taxation by the United States of nonresident aliens and foreign corporations in the case of certain taxes alleged to have an extraterritorial character (arts. XIV, XV, and XVI).

(7) Settlement of pending cases affecting residents of the United Kingdom or United Kingdom corporations, and involving the taxation of capital gains and the application of principles to which (6), above, relates (art. XVII).

(8) Exemption, upon certain conditions, of professors or teachers and students or business apprentices from taxes on their remuneration or on payments made to them (arts. XVIII and XIX).

(9) Cooperation between the contracting countries with a view to the prevention of evasion of taxation imposed by the respective countries (art. XX).

(10) Extension of the principle, expressed in many treaties of the United States, respecting national treatment of resident aliens in tax matters with a view to equality of taxation (art. XXI).

(11) Laying the ground work for application of the provisions of the convention to colonies or other territories which impose taxes substantially similar to the taxes to which the convention relates (art. XXII).

Some of the significant provisions of the convention may be explained further as follows, particularly with a view to indicating the extent to which the convention may

modify the existing revenue laws of the United States:

By article I the convention is made applicable, in respect of the United States, only to Federal income taxes, including surtaxes and excess-profits taxes. Consequently, the convention does not apply to taxes imposed by the several States of the United States, with one exception, namely, article XXI, to which further reference is made hereinafter.

By article VI the 30-percent rate of United States tax generally applied with respect to nonresident aliens and nonresident foreign corporations, and the higher rates of normal tax and surtax when applicable to such aliens, are reduced to 15 percent in the case of dividends in general, or to 5 percent in the case of dividends paid by a United States domestic subsidiary corporation to its British parent corporation. A like reduction to 15 percent is applied, under article IX, to gross mineral royalties and to gross real-property rentals derived from United States sources by residents of the United Kingdom, such reduced rate being considered substantially equivalent to the rate of 50 percent upon net rentals flowing from the United Kingdom to the United States. The United Kingdom, in effect, imposes no tax on dividends as such, but does impose surtax with respect to dividends; under the proposed convention dividends moving to the United States from the United Kingdom will thus be exempt from United Kingdom standard tax and surtax.

By articles VII and VIII interest and royalties are wholly exempt upon a reciprocal basis. Accordingly, interest and royalties will move to the United States from the United Kingdom free from United Kingdom tax (otherwise generally imposed at the rate of 50 percent) and from the United States to the United Kingdom free from United States tax (otherwise generally imposed at the rate of 30 percent).

By article XI the United States agrees to continue, during the lifetime of the convention, its existing system of credit for foreign tax insofar as credit for United Kingdom income tax is concerned, and to liberalize such system so as to allow credit for United Kingdom tax on earnings out of which dividends are paid to United States shareholders of United Kingdom corporations. The United Kingdom, on the other hand, agrees to adopt the system of credit for United States tax imposed upon income derived from United States sources by residents of the United Kingdom or by United Kingdom corporations.

It has long been a provision of United States revenue laws that, upon certain conditions, dividends paid by a foreign corporation to nonresident aliens or foreign corporations are to be regarded as income from sources within the United States and, as such, taxable by the United States even though the recipient of such dividends and the foreign corporation paying them are not resident in the United States. The United Kingdom law does not contain any corresponding provision. That provision of the United States revenue laws has been the object of frequent objections, it being charged that such a provision has an extra-territorial character. The existing income-tax convention with Canada makes that provision inapplicable to residents of Canada. Article XV of the convention with the United Kingdom makes the provision inapplicable to residents of the United Kingdom.

Similarly, article XVI makes the personal-holding-company provisions of the United States revenue laws inapplicable to United Kingdom corporations which are controlled by residents of the United Kingdom. In this respect article XVI is identical in principle with article XIII of the income-tax convention between the United States and Canada (S. Executive B, 77th Cong., 2d sess., contains a detailed statement concerning art. XIII of the convention with Canada), which

makes the personal-holding-company provisions inapplicable to Canadian corporations. Article XVI of the convention with the United Kingdom contains safeguards against the exemption being used as a means of tax avoidance.

Article XVII is identical in principle with article XIV of the income-tax convention with Canada. Under article XIV of that convention the settlement of cases involving Canadians and Canadian corporations with respect to taxable years beginning prior to 1936, and generally involving the taxation of capital gains from sources within the United States, has been facilitated. While the number of similar cases involving United Kingdom residents and United Kingdom corporations is believed to be small, it is considered desirable to extend to the United Kingdom the same provisions in this respect as are found in the existing convention with Canada.

Article XX marks an important step in the direction of fiscal cooperation between the United States and the United Kingdom in the field of income taxation. Under this article there will be obtained by the United States, upon a reciprocal basis, information with respect to income derived by residents of the United States from sources in the United Kingdom, as well as information in cases of specific taxpayers with respect to whom information is available to the revenue authorities of the United Kingdom. The principle here adopted materially complements the United States domestic system of information at the source and, it is anticipated, will be of considerable utility in the administration of United States revenue laws, even though the British system of information at source is less comprehensive than that employed by the United States.

Article XXI gives expression to principles, long recognized in practice in the United States and found in many commercial or general-relations treaties of the United States, relating to equality of taxation in the United States as between United States citizens residing in the United States and aliens resident in the United States. Article XXI effects no change in existing United States revenue laws.

Article XXII is an innovation so far as tax conventions of the United States are concerned. It lays the basis for application of the convention to colonies, overseas territories, and certain other areas over which authority is exercised by the respective governments. It is anticipated that many of the British colonies or other territories, which have tax systems closely analogous to that existing in the United Kingdom, will elect, in the course of time, to come within the scope of the convention. This, it is expected, will have the effect of providing a solution to problems in the field of income taxation which may exist between the United States and such colonies or other territories, and of stimulating the economic ties between the United States and such areas. Inasmuch as the United States revenue laws do not extend to overseas possessions, such as Puerto Rico, those possessions will be free to elect to come within the scope of the convention, as they see fit.

Article XXIII provides for ratification and for the exchange of instruments of ratification and prescribes the effective dates of the convention. Under article XXIII the convention will become effective with respect to taxable years beginning on or after January 1, 1945, as to the United States, and, as to the United Kingdom, with respect to years of assessment beginning in accordance with the corresponding British tax system. It is provided in article XXIV that the convention shall continue in effect indefinitely, but may be terminated by the giving of a notice for that purpose by either government to the other government on or before June 30 in any year after 1946, so that as to the United

States the convention may be terminated with respect to taxable years beginning on or after January 1, 1947, and as to the United Kingdom the convention may be terminated with respect to years of assessment beginning on or after April 6, 1947. The provisions of article VI, relating to dividends, are made subject to termination, without affecting the remaining provisions of the convention, at the end of a 2-year period or thereafter by the giving of a notice along the lines of that prescribed in article XXIV.

#### CONVENTION RELATING TO TAXES ON ESTATES

The estate-tax convention with the United Kingdom, like the estate tax and succession duty convention of June 8, 1944, with Canada (S. Executive G, 78th Cong., 2d sess.), has for its principal purpose the elimination, insofar as practicable, of double taxation which otherwise would result from the application to the same estate of both Federal estate taxes and British estate duties. The convention also contains provisions relating to mutual administrative assistance through the exchange of information, with a view to discouraging tax evasion.

As in the case of the convention with Canada, the convention with the United Kingdom extends in its application, insofar as the United States is concerned, only to estate taxes imposed by the Federal Government. The imposition and collection of inheritance or estate taxes by States or Territories of the United States or by the District of Columbia are not restricted by the convention. As to the United Kingdom, the convention is applicable to the estate duty but does not apply to United Kingdom legacy or succession duties.

In the technical discussions which resulted in the formulation of the convention, consideration was given to the basic differences between the American and British systems of taxation affecting the settlement of estates. The two systems were found to be sufficiently comparable to make it possible for the taxing authorities of the two Governments to reach a satisfactory understanding with respect to a number of important matters of principle.

The provisions of the convention are contained in 11 articles. The following explanations of the provisions may be useful (the word "convention," unless otherwise indicated, is here used in reference to the convention with the United Kingdom):

Article I specifies the taxes to which the convention applies. This is analogous to article I of the convention of 1944 with Canada. The taxes are the Federal estate tax imposed by the United States and the United Kingdom estate duty imposed in Great Britain.

Article II contains definitions of terms found in the convention. It corresponds, in general, to article XIII of the convention of 1944 with Canada.

Article III contains rules, for the purposes of the operation of the convention, relating to the situs of rights and interests forming part of an estate to which the convention may be applicable. This article corresponds in general to articles II, III, and IV of the convention of 1944 with Canada. The treatment is considerably different in a number of respects, but the object is essentially the same in that the provisions are designed mainly to establish a greater degree of uniformity in administering the applicable revenue laws and to facilitate, upon a reasonable basis, the settlement of estates.

Articles IV, V, and VI contain fundamental provisions relating to the bases upon which estate taxes shall be computed and upon which relief from double taxation shall be accorded. The plan which would be made effective by these provisions is consistent with the principles expressed in existing tax conventions of the United States. The provisions in articles IV, V, and VI are analogous to, but in some respects simpler than, provisions in article V and VI of the convention of 1944 with Canada.



Article VII contains provisions relating to the exchange of information, leading to administrative cooperation in preventing fiscal evasion. It corresponds to article VII of the convention of 1944 with Canada, except that paragraph (2) of article VII (containing certain definitions) of the convention with the United Kingdom is analogous to paragraph 1 of article XIII of the convention with Canada.

The provisions of article VIII do not correspond to any provisions of existing tax conventions of the United States. Like article XXII of the income-tax convention with the United Kingdom, it lays the basis for application of the convention to colonies, overseas territories, and certain other areas over which authority is exercised by the respective Governments. The statements which have been made hereinbefore concerning article XXII of the income-tax convention are applicable, in a general way, to article VIII of the estate-tax convention.

Article IX, which is to be considered in conjunction with article VIII, represents a formula proposed by the British authorities, in accordance with British constitutional procedure, with a view to making the convention applicable in respect of Northern Ireland.

Article X provides for ratification and prescribes that the convention shall come into force on the date of the exchange of instruments of ratification, to be effective only (1) as to estates of persons dying on or after that date, and (2) at the option of the personal representative, upon appropriate conditions, as to the estate of any person dying before that date and after December 31, 1944.

It is provided in article XI that the convention shall remain in force not less than 3 years, but may be terminated at the end of that 3-year period or at any time thereafter by the giving of a notice for that purpose by either Government to the other Government, the termination to be effective as to the estates of persons dying on or after the date specified in the notice, such date being not less than 60 days after the date of the notice, or, if no date of termination be specified, the termination is to be effective as to the estates of persons dying on or after the sixtieth day after the date of the notice.

The fundamental provisions of the convention may be summarized as follows:

(1) The uniform rules relating to the situs of property, as set forth in article III. The determination of situs with respect to certain types of property is necessary for the purposes of the convention, first, in order to ascertain the property that may be included for tax computation if jurisdiction be based on situs of property within the country, and, second, in order to ascertain the credit for estate taxes attributable to property situated as prescribed in the credit article. For example, a simple rule for the determination of the situs of shares of corporate stock is provided, namely, that the situs shall be where the issuing corporation was created or organized. This uniform rule is adopted by the United Kingdom in place of a complexity of rules now applicable in such cases. This uniform rule is one of long standing in the United States, but under the convention the United States relinquishes another and inconsistent rule, namely, that the situs of corporate stock is where the stock certificate is located.

(2) The credit provisions, as set forth in article V, whereby the country of the decedent's domicile, or the country of the decedent's citizenship in the case of the United States, allows a credit against its tax for the tax paid the other country with respect to property which otherwise would be subjected to taxation by both countries. The credit authorized by the convention is subordinated to and has no effect upon the credit against the Federal estate tax authorized by

section 813 (b) of the Internal Revenue Code for inheritance and estate taxes paid to the States, Territories, or possessions of the United States or to the District of Columbia.

Respectfully submitted.

E. R. STETTINIUS, Jr.

[Enclosures: (1) Convention between the United States and the United Kingdom, signed April 16, 1945, relating to taxes on income; (2) convention between the United States and the United Kingdom, signed April 16, 1945, relating to taxes on the estates of deceased persons.]

#### CONVENTION WITH GREAT BRITAIN AND NORTHERN IRELAND WITH RESPECT TO TAXES ON INCOME

The Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland,

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

Have appointed for that purpose as their Plenipotentiaries:

The Government of the United States of America:

Mr. Edward R. Stettinius, Jr., Secretary of State, and

The Government of the United Kingdom of Great Britain and Northern Ireland:

The Right Honorable the Earl of Halifax, K. G., Ambassador Extraordinary and Plenipotentiary in Washington.

Who, having exhibited their respective full powers, found in good, and due form, have agreed as follows:

#### ARTICLE I

(1) The taxes which are the subject of the present Convention are:

(a) In the United States of America: The Federal income taxes, including surtaxes and excess profits taxes (hereinafter referred to as United States tax).

(b) In the United Kingdom of Great Britain and Northern Ireland: The income tax (including surtax), the excess profits tax and the national defense contribution (hereinafter referred to as United Kingdom tax).

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed by either Contracting Party subsequently to the date of signature of the present Convention or by the government of any territory to which the present Convention is extended under Article XXII.

#### ARTICLE II

(1) In the present Convention, unless the context otherwise requires:

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and of Hawaii, and the District of Columbia.

(b) The term "United Kingdom" means Great Britain and Northern Ireland, excluding the Channel Islands and the Isle of Man.

(c) The terms "territory of one of the Contracting Parties" and "territory of the other Contracting Party" mean the United States or the United Kingdom as the context requires.

(d) The term "United States corporation" means a corporation, association or other like entity created or organized in or under the laws of the United States.

(e) The term "United Kingdom corporation" means any kind of juridical person created under the laws of the United Kingdom.

(f) The terms "corporation of one Contracting Party" and "corporation of the other Contracting Party" mean a United States corporation or a United Kingdom corporation as the context requires.

(g) The term "resident of the United Kingdom" means any person (other than a citizen

of the United States or a United States corporation) who is resident in the United Kingdom for the purposes of United Kingdom tax and not resident in the United States for the purposes of United States tax. A corporation is to be regarded as resident in the United Kingdom if its business is managed and controlled in the United Kingdom.

(h) The term "resident of the United States" means any individual who is resident in the United States for the purposes of United States tax and not resident in the United Kingdom for the purposes of United Kingdom tax, and any United States corporation and any partnership created or organized in or under the laws of the United States, being a corporation or partnership which is not resident in the United Kingdom for the purposes of United Kingdom tax.

(i) The term "United Kingdom enterprise" means an industrial or commercial enterprise or undertaking carried on by a resident of the United Kingdom.

(j) The term "United States enterprise" means an industrial or commercial enterprise or undertaking carried on by a resident of the United States.

(k) The terms "enterprise of one of the Contracting Parties" and "enterprise of the other Contracting Party" mean a United States enterprise or a United Kingdom enterprise, as the context requires.

(l) The term "permanent establishment" when used with respect to an enterprise of one of the Contracting Parties means a branch, management, factory or other fixed place of business, but does not include an agency unless the agent has, and habitually exercises, a general authority to negotiate and conclude contracts on behalf of such enterprise or has a stock of merchandise from which he regularly fills orders on its behalf. An enterprise of one of the Contracting Parties shall not be deemed to have a permanent establishment in the territory of the other Contracting Party merely because it carries on business dealings in the territory of such other Contracting Party through a *bona fide* commission agent, broker or custodian acting in the ordinary course of his business as such. The fact that an enterprise of one of the Contracting Parties maintains in the territory of the other Contracting Party a fixed place of business exclusively for the purchase of goods or merchandise shall not of itself constitute such fixed place of business a permanent establishment of such enterprise. The fact that a corporation of one Contracting Party has a subsidiary corporation which is a corporation of the other Contracting Party or which is engaged in trade or business in the territory of such other Contracting Party (whether through a permanent establishment or otherwise) shall not of itself constitute that subsidiary corporation a permanent establishment of its parent corporation.

(2) For the purposes of Articles VI, VII, VIII, IX and XIV a resident of the United Kingdom shall not be deemed to be engaged in trade or business in the United States in any taxable year unless such resident has a permanent establishment situated therein in such taxable year. The same principle shall be applied *mutatis mutandis*, by the United Kingdom in the case of a resident of the United States.

(3) In the application of the provisions of the present Convention by one of the Contracting Parties any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting Party relating to the taxes which are the subject of the present Convention.

#### ARTICLE III

(1) A United Kingdom enterprise shall not be subject to United States tax in respect of its industrial or commercial profits unless it is engaged in trade or business in the

United States through a permanent establishment situated therein. If it is so engaged, United States tax may be imposed upon the entire income of such enterprise from sources within the United States.

(2) A United States enterprise shall not be subject to United Kingdom tax in respect of its industrial or commercial profits unless it is engaged in trade or business in the United Kingdom through a permanent establishment situated therein. If it is so engaged, United Kingdom tax may be imposed upon the entire income of such enterprise from sources within the United Kingdom: Provided that nothing in this paragraph shall affect any provisions of the law of the United Kingdom regarding the imposition of United Kingdom excess profits tax and national defence contribution in the case of interconnected companies.

(3) Where an enterprise of one of the Contracting Parties is engaged in trade or business in the territory of the other Contracting Party through a permanent establishment situated therein, there shall be attributed to such permanent establishment the industrial or commercial profits which it might be expected to derive if it were an independent enterprise engaged in the same or similar activities under the same or similar conditions and dealing at arm's length with the enterprise of which it is a permanent establishment, and the profits so attributed shall, subject to the law of such other Contracting Party, be deemed to be income from sources within the territory of such other Contracting Party.

(4) In determining the industrial or commercial profits from sources within the territory of one of the Contracting Parties of an enterprise of the other Contracting Party, no profits shall be deemed to arise from the mere purchase of goods or merchandise within the territory of the former Contracting Party by such enterprise.

#### ARTICLE IV

Where an enterprise of one of the Contracting Parties, by reason of its participation in the management, control or capital of an enterprise of the other Contracting Party, makes with or imposes on the latter, in their commercial or financial relations, conditions different from those which would be made with an independent enterprise, any profits which would but for those conditions have accrued to one of the enterprises but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

#### ARTICLE V

(1) Notwithstanding the provisions of Articles III and IV of the present Convention, profits which an individual (other than a citizen of the United States) resident in the United Kingdom or a United Kingdom corporation derives from operating ships documented or aircraft registered under the laws of the United Kingdom, shall be exempt from United States tax.

(2) Notwithstanding the provisions of Articles III and IV of the present Convention, profits which a citizen of the United States not resident in the United Kingdom or a United States corporation derives from operating ships documented or aircraft registered under the laws of the United States, shall be exempt from United Kingdom tax.

(3) This Article shall be deemed to have superseded, on and after the first day of January, 1945, as to United States tax, and on and after the 6th day of April, 1945, as to United Kingdom tax, the arrangements relating to reciprocal exemption of shipping profits from income tax effected between the Government of the United States and the Government of the United Kingdom by exchange of Notes dated August 11, 1924, November 18, 1924, November 26, 1924, January 15, 1925, February 13, 1925, and March

16, 1925, which shall accordingly cease to have effect.

#### ARTICLE VI

(1) The rate of United States tax on dividends derived from a United States corporation by a resident of the United Kingdom who is subject to United Kingdom tax on such dividends and not engaged in trade or business in the United States shall not exceed 15 percent: Provided that such rate of tax shall not exceed five percent if such resident is a corporation controlling, directly or indirectly, at least 95 percent of the entire voting power in the corporation paying the dividend, and not more than 25 percent of the gross income of such paying corporation is derived from interest and dividends, other than interest and dividends received from its own subsidiary corporations. Such reduction of the rate to five percent shall not apply if the relationship of the two corporations has been arranged or is maintained primarily with the intention of securing such reduced rate.

(2) Dividends derived from sources within the United Kingdom by an individual who is (a) a resident of the United States, (b) subject to United States tax with respect to such dividends, and (c) not engaged in trade or business in the United Kingdom, shall be exempt from United Kingdom surtax.

(3) Either of the Contracting Parties may terminate this Article by giving written notice of termination to the other Contracting Party, through diplomatic channels, on or before the thirtieth day of June in any year after the year 1945, and in such event paragraph (1) hereof shall cease to be effective as to United States tax on and after the first day of January, and paragraph (2) hereof shall cease to be effective as to United Kingdom tax on and after the 6th day of April, in the year next following that in which such notice is given.

#### ARTICLE VII

(1) Interest (on bonds, securities, notes, debentures, or on any other form of indebtedness) derived from sources within the United States by a resident of the United Kingdom who is subject to United Kingdom tax on such interest and not engaged in trade or business in the United States, shall be exempt from United States tax; but such exemption shall not apply to such interest paid by a United States corporation to a corporation resident in the United Kingdom controlling, directly or indirectly, more than 50 percent of the entire voting power in the paying corporation.

(2) Interest (on bonds, securities, notes, debentures, or on any other form of indebtedness) derived from sources within the United Kingdom by a resident of the United States who is subject to United States tax on such interest and not engaged in trade or business in the United Kingdom, shall be exempt from United Kingdom tax; but such exemption shall not apply to such interest paid by a corporation resident in the United Kingdom to a United States corporation controlling, directly or indirectly, more than 50 percent of the entire voting power in the paying corporation.

#### ARTICLE VIII

(1) Royalties and other amounts paid as consideration for the use of, or for the privilege of using, copyrights, patents, designs, secret processes and formulae, trade-marks, and other like property, and derived from sources within the United States by a resident of the United Kingdom who is subject to United Kingdom tax on such royalties or other amounts and not engaged in trade or business in the United States, shall be exempt from United States tax.

(2) Royalties and other amounts paid as consideration for the use of, or for the privilege of using, copyrights, patents, designs, secret processes and formulae, trade-marks,

and other like property, and derived from sources within the United Kingdom by a resident of the United States who is subject to United States tax on such royalties or other amounts and not engaged in trade or business in the United Kingdom, shall be exempt from United Kingdom tax.

(3) For the purposes of this Article the term "royalties" shall be deemed to include rentals in respect of motion picture films.

#### ARTICLE IX

(1) The rate of United States tax on royalties in respect of the operation of mines or quarries or of other extraction of natural resources, and on rentals from real property or from an interest in such property, derived from sources within the United States by a resident of the United Kingdom who is subject to United Kingdom tax with respect to such royalties or rentals and not engaged in trade or business in the United States, shall not exceed 15 percent: Provided that any such resident may elect for any taxable year to be subject to United States tax as if such resident were engaged in trade or business in the United States.

(2) Royalties in respect of the operation of mines or quarries or of other extraction of natural resources, and rentals from real property or from an interest in such property, derived from sources within the United Kingdom by an individual who is (a) a resident of the United States, (b) subject to United States tax with respect to such royalties and rentals, and (c) not engaged in trade or business in the United Kingdom, shall be exempt from United Kingdom surtax.

#### ARTICLE X

(1) Any salary, wage, similar remuneration, or pension, paid by the Government of the United States to an individual (other than a British subject who is not also a citizen of the United States) in respect of services rendered to the United States in the discharge of governmental functions, shall be exempt from United Kingdom tax.

(2) Any salary, wage, similar remuneration, or pension, paid by the Government of the United Kingdom to an individual (other than a citizen of the United States who is not also a British subject) in respect of services rendered to the United Kingdom in the discharge of governmental functions, shall be exempt from United States tax.

(3) The provisions of this Article shall not apply to payments in respect of services rendered in connection with any trade or business carried on by either of the Contracting Parties for purposes of profit.

#### ARTICLE XI

(1) An individual who is a resident of the United Kingdom shall be exempt from United States tax upon compensation for personal (including professional) services performed during the taxable year within the United States if (a) he is present within the United States for a period or periods not exceeding in the aggregate 183 days during such taxable year, and (b) such services are performed for or on behalf of a person resident in the United Kingdom.

(2) An individual who is a resident of the United States shall be exempt from United Kingdom tax upon profits, emoluments or other remuneration in respect of personal (including professional) services performed within the United Kingdom in any year of assessment if (a) he is present within the United Kingdom for a period or periods not exceeding in the aggregate 183 days during that year, and (b) such services are performed for or on behalf of a person resident in the United States.

(3) The provisions of this Article shall not apply to the compensation, profits, emoluments or other remuneration of public entertainers such as stage, motion picture or radio artists, musicians and athletes.



## ARTICLE XII

(1) Any pension (other than a pension to which Article X applies), and any life annuity, derived from sources within the United States by an individual who is a resident of the United Kingdom shall be exempt from United States tax.

(2) Any pension (other than a pension to which Article X applies), and any life annuity, derived from sources within the United Kingdom by an individual who is a resident of the United States shall be exempt from United Kingdom tax.

(3) The term "life annuity" means a stated sum payable periodically at stated times, during life or during a specified or ascertainable period of time, under an obligation to make the payments in consideration of money paid.

## ARTICLE XIII

(1) Subject to section 131 of the United States Internal Revenue Code as in effect on the first day of January, 1945, United Kingdom tax shall be allowed as a credit against United States tax. For this purpose, the recipient of a dividend paid by a corporation which is a resident of the United Kingdom shall be deemed to have paid the United Kingdom income tax appropriate to such dividend if such recipient elects to include in his gross income for the purposes of United States tax the amount of such United Kingdom income tax.

(2) Subject to such provisions (which shall not affect the general principle hereof) as may be enacted in the United Kingdom, United States tax payable in respect of income from sources within the United States shall be allowed as a credit against any United Kingdom tax payable in respect of that income. Where such income is an ordinary dividend paid by a United States corporation, such credit shall take into account (in addition to any United States income tax deducted from or imposed on such dividend) the United States income tax imposed on such corporation in respect of its profits, and where it is a dividend paid on participating preference shares and representing both a dividend at the fixed rate to which the shares are entitled and an additional participation in profits, such tax on profits shall likewise be taken into account in so far as the dividend exceeds such fixed rate.

(3) For the purposes of this Article, compensation, profits, emoluments and other remuneration for personal (including professional) services shall be deemed to be income from sources within the territory of the Contracting Party where such services are performed.

## ARTICLE XIV

A resident of the United Kingdom not engaged in trade or business in the United States shall be exempt from United States tax on gains from the sale or exchange of capital assets.

## ARTICLE XV

Dividends and interest paid on or after the first day of January 1945 by a United Kingdom corporation shall be exempt from United States tax except where the recipient is a citizen of or a resident of the United States or a United States corporation.

## ARTICLE XVI

A United Kingdom corporation shall be exempt from United States tax on its accumulated or undistributed earnings, profits, income or surplus, if individuals who are residents of the United Kingdom control, directly or indirectly, throughout the last half of the taxable year, more than 50 percent of the entire voting power in such corporation.

## ARTICLE XVII

(1) The United States income tax liability for any taxable year beginning prior to January 1, 1936 of any individual (other than a citizen of the United States) resident in the United Kingdom, or of any United Kingdom

corporation, remaining unpaid on the date of signature of the present Convention, may be adjusted on a basis satisfactory to the United States Commissioner of Internal Revenue: Provided that the amount to be paid in settlement of such liability shall not exceed the amount of the liability which would have been determined if

(a) the United States Revenue Act of 1936 (except in the case of a United Kingdom corporation in which more than 50 percent of the entire voting power was controlled, directly or indirectly, throughout the latter half of the taxable year, by citizens or residents of the United States), and

(b) Articles XV and XVI of the present Convention, had been in effect for such year. If the taxpayer was not, within the meaning of such Revenue Act, engaged in trade or business in the United States and had no office or place of business therein during the taxable year, the amount of interest and penalties shall not exceed 50 percent of the amount of the tax with respect to which such interest and penalties have been computed.

(2) The United States income tax unpaid on the date of signature of the present Convention for any taxable year beginning after the thirty-first day of December 1935 and prior to the first day of January 1945 in the case of an individual (other than a citizen of the United States) resident of the United Kingdom, or in the case of any United Kingdom corporation shall be determined as if the provisions of Articles XV and XVI of the present Convention had been in effect for such taxable year.

(3) The provisions of paragraph (1) of this Article shall not apply—

(a) unless the taxpayer files with the Commissioner of Internal Revenue on or before the thirty-first day of December 1947 a request that such tax liability be so adjusted and furnishes such information as the Commissioner may require; or

(b) in any case in which the Commissioner is satisfied that any deficiency in tax is due to fraud with intent to evade the tax.

## ARTICLE XVIII

A professor or teacher from the territory of one of the Contracting Parties who visits the territory of the other Contracting Party for the purpose of teaching, for a period not exceeding two years, at a university, college, school or other educational institution in the territory of such other Contracting Party shall be exempted by such other Contracting Party from tax on his remuneration for such teaching for such period.

## ARTICLE XIX

A student or business apprentice from the territory of one of the Contracting Parties who is receiving full-time education or training in the territory of the other Contracting Party shall be exempted by such other Contracting Party from tax on payments made to him by persons within the territory of the former Contracting Party for the purposes of his maintenance, education, or training.

## ARTICLE XX

(1) The taxation authorities of the Contracting Parties shall exchange such information (being information available under the respective taxation laws of the Contracting Parties) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the assessment and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose any trade secret or trade process.

(2) As used in this Article, the term "taxation authorities" means, in the case of the United States, the Commissioner of Internal Revenue or his authorized representative; in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorized representative; and, in the case of any territory to which the present Convention is extended under Article XXII, the competent authority for the administration in such territory of the taxes to which the present Convention applies.

## ARTICLE XXI

(1) The nationals of one of the Contracting Parties shall not, while resident in the territory of the other Contracting Party, be subjected therein to other or more burdensome taxes than are the nationals of such other Contracting Party resident in its territory.

(2) The term "nationals" as used in this Article means

(a) in relation to the United Kingdom, all British subjects and British protected persons, from the United Kingdom or any territory with respect to which the present Convention is applicable by reason of extension made by the United Kingdom under Article XXII; and

(b) in relation to the United States, United States citizens, and all persons under the protection of the United States, from the United States or any territory to which the present Convention is applicable by reason of extension made by the United States under Article XXII;

and includes all legal persons, partnerships and associations deriving their status as such from, or created or organized under, the laws in force in any territory of the Contracting Parties to which the present Convention applies.

(3) In this Article the word "taxes" means taxes of every kind or description, whether national, Federal, state, provincial or municipal.

## ARTICLE XXII

(1) Either of the Contracting Parties may, at the time of exchange of instruments of ratification or thereafter while the present Convention continues in force, by a written notification of extension given to the other Contracting Party through diplomatic channels, declare its desire that the operation of the present Convention shall extend to all or any of its colonies, overseas territories, protectorates, or territories in respect of which it exercises a mandate, which impose taxes substantially similar in character to those which are the subject of the present Convention. The present Convention shall apply to the territory or territories named in such notification on the date or dates specified in the notification (not being less than sixty days from the date of the notification) or, if no date is specified in respect of any such territory, on the sixtieth day after the date of such notification, unless, prior to the date on which the Convention would otherwise become applicable to a particular territory, the Contracting Party to whom notification is given shall have informed the other Contracting Party in writing through diplomatic channels that it does not accept such notification as to that territory. In the absence of such extension, the present Convention shall not apply to any such territory.

(2) At any time after the expiration of one year from the entry into force of an extension under paragraph (1) of this Article, either of the Contracting Parties may, by written notice of termination given to the other Contracting Party through diplomatic channels, terminate the application of the present Convention to any territory to which it has been extended under paragraph (1), and in such event the present Convention shall cease to apply, six months after the date of such notice, to the territory or territories named

therein, but without affecting its continued application to the United States, the United Kingdom or to any other territory to which it has been extended under paragraph (1) hereof.

(3) In the application of the present Convention in relation to any territory to which it is extended by notification by the United States or the United Kingdom references to the "United States" or, as the case may be, the "United Kingdom" shall be construed as references to that territory.

(4) The termination in respect of the United States or the United Kingdom of the present Convention under Article XXIV or of Article VI shall, unless otherwise expressly agreed by both Contracting Parties, terminate the application of the present Convention or, as the case may be, that Article to any territory to which the Convention has been extended by the United States or the United Kingdom.

(5) The provisions of the preceding paragraphs of this Article shall apply to the Channel Islands and the Isle of Man as if they were colonies of the United Kingdom.

#### ARTICLE XXIII

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

(2) Upon exchange of ratifications, the present Convention shall have effect

(a) as respects United States tax, for the taxable years beginning on or after the first day of January 1945;

(b) (i) as respects United Kingdom income tax, for the year of assessment beginning on the 6th day of April 1945 and subsequent years; (ii) as respects United Kingdom surtax, for the year of assessment beginning on the 6th day of April 1944 and subsequent years; and (iii) as respects United Kingdom excess profits tax and national defence contribution, for any chargeable accounting period beginning on or after the first day of April 1945 and for the unexpired portion of any chargeable accounting period current at that date.

#### ARTICLE XXIV

(1) The present Convention shall continue in effect indefinitely but either of the Contracting Parties may, on or before the 30th day of June in any year after the year 1946, give to the other Contracting Party, through diplomatic channels, notice of termination and, in such event, the present Convention shall cease to be effective

(a) as respects United States tax, for the taxable years beginning on or after the first day of January in the year next following that in which such notice is given;

(b) (i) as respects United Kingdom income tax, for any year of assessment beginning on or after the 6th day of April in the year next following that in which such notice is given; (ii) as respects United Kingdom surtax, for any year of assessment beginning on or after the 6th day of April in the year in which such notice is given; and (iii) as respects United Kingdom excess profits tax and national defence contribution, for any chargeable accounting period beginning on or after the first day of April in the year next following that in which such notice is given and for the unexpired portion of any chargeable accounting period current at that date.

(2) The termination of the present Convention or of any Article thereof shall not have the effect of reviving any treaty or arrangement abrogated by the present Convention or by treaties previously concluded between the Contracting Parties.

In witness whereof the above-mentioned Plenipotentiaries have signed the present Convention and have affixed thereto their seals.

Done at Washington, in duplicate, on the 16th day of April, 1945.

For the Government of the United States of America:

E. R. STETTINIUS, JR.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

HALIFAX.

EXECUTIVE E, SEVENTY-NINTH CONGRESS, FIRST SESSION—CONVENTION WITH GREAT BRITAIN AND NORTHERN IRELAND WITH RESPECT TO TAXES ON ESTATES OF DECEASED PERSONS

The Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland,

Desiring to conclude a convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on the estate of deceased persons,

Have appointed for that purpose as their respective Plenipotentiaries:

The Government of the United States of America:

Mr. Edward R. Stettinius, Jr., Secretary of State, and

The Government of the United Kingdom of Great Britain and Northern Ireland:

The Right Honorable the Earl of Halifax, K. G., Ambassador Extraordinary and Plenipotentiary in Washington,

Who, having exhibited their respective full powers, found in good and due form, have agreed as follows:

#### ARTICLE I

(1) The taxes which are the subject of the present Convention are:

(a) In the United States of America, the Federal estate tax, and

(b) In the United Kingdom of Great Britain and Northern Ireland, the estate duty imposed in Great Britain.

(2) The present Convention shall also apply to any other taxes of a substantially similar character imposed by either Contracting Party subsequently to the date of signature of the present Convention or by the government of any territory to which the present Convention applies under Article VIII or Article IX.

#### ARTICLE II

(1) In the present Convention, unless the context otherwise requires:

(a) The term "United States" means the United States of America, and when used in a geographical sense means the States, the Territories of Alaska and of Hawaii, and the District of Columbia.

(b) The term "Great Britain" means England, Wales and Scotland, and does not include the Channel Islands or the Isle of Man.

(c) The term "territory" when used in relation to one or the other Contracting Party means the United States or Great Britain, as the context requires.

(d) The term "tax" means the estate duty imposed in Great Britain or the United States Federal estate tax, as the context requires.

(2) In the application of the provisions of the present Convention by one of the Contracting Parties, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting Party relating to the taxes which are the subject of the present Convention.

#### ARTICLE III

(1) For the purposes of the present Convention, the question whether a decedent was domiciled in any part of the territory of one of the Contracting Parties at the time of his death shall be determined in accordance with the law in force in that territory.

(2) Where a person dies domiciled in any part of the territory of one Contracting Party, the situs of any of the following rights

or interest, legal or equitable, which for the purposes of tax form part of the estate of such person or pass on his death, shall, for the purposes of the imposition of tax and for the purposes of the credit to be allowed under Article V, be determined exclusively in accordance with the following rules, but in cases not within such rules the situs of such rights and interests shall be determined for those purposes in accordance with the law relating to tax in force in the territory of the other Contracting Party.

(a) Rights or interest (otherwise than by way of security) in or over immovable property shall be deemed to be situated at the place where such property is located;

(b) Rights or interest (otherwise than by way of security) in or over tangible movable property, other than such property for which specific provision is hereinafter made, and in or over bank or currency notes, other forms of currency recognized as legal tender in the place of issue, negotiable bills of exchange and negotiable promissory notes, shall be deemed to be situated at the place where such property, notes, currency or documents are located at the time of death, or, if in transitu at the place of destination;

(c) Debts, secured or unsecured, other than the forms of indebtedness for which specific provision is made herein, shall be deemed to be situated at the place where the decedent was domiciled at the time of death;

(d) Shares or stock in a corporation other than a municipal or governmental corporation (including shares or stock held by a nominee where the beneficial ownership is evidenced by scrip certificates or otherwise) shall be deemed to be situated at the place in or under the laws of which such corporation was created or organized;

(e) Monies payable under a policy of assurance or insurance on the life of the decedent shall be deemed to be situated at the place where the decedent was domiciled at the time of death;

(f) Ships and aircraft and shares thereof shall be deemed to be situated at the place of registration or documentation of the ship or aircraft;

(g) Goodwill as a trade, business or professional asset shall be deemed to be situated at the place where the trade, business or profession to which it pertains is carried on;

(h) Patents, trademarks and designs shall be deemed to be situated at the place where they are registered;

(i) Copyright, franchises, and rights or licenses to use any copyrighted material, patent, trademark or design shall be deemed to be situated at the place where the rights arising therefrom are exercisable;

(j) Rights or causes of action ex delicto surviving for the benefit of an estate of a decedent shall be deemed to be situated at the place where such rights or causes of action arose;

(k) Judgment debts shall be deemed to be situated at the place where the judgment is recorded;

Provided that if, apart from this paragraph, tax would be imposed by one Contracting Party on any property which is situated in its territory and passes under a disposition not governed by its law, this paragraph shall not apply to such property unless, by reason of its application or otherwise, tax is imposed or would but for some specific exemption be imposed thereon by the other Contracting Party.

#### ARTICLE IV

(1) In determining the amount on which tax is to be computed, permitted deductions shall be allowed in accordance with the law in force in the territory in which the tax is imposed.

(2) Where tax is imposed by one Contracting Party on the death of a person who at the time of his death was not domiciled in



any part of the territory of that Contracting Party but was domiciled in some part of the territory of the other Contracting Party, no account shall be taken in determining the amount or rate of such tax of property situated outside the former territory: Provided that this paragraph shall not apply as respects tax imposed—

(a) in the United States in the case of a United States citizen dying domiciled in any part of Great Britain; or

(b) in Great Britain in the case of property passing under a disposition governed by the law of Great Britain.

#### ARTICLE V

(1) Where one Contracting Party imposes tax by reason of a decedent's being domiciled in some part of its territory or being its national, that Party shall allow against so much of its tax (as otherwise computed) as is attributable to property situated in the territory of the other Contracting Party, a credit (not exceeding the amount of the tax so attributable) equal to so much of the tax imposed in the territory of such other Party as is attributable to such property; but this paragraph shall not apply as respects any such property as is mentioned in paragraph (2) of this Article.

(2) Where each Contracting Party imposes tax by reason of a decedent's being domiciled in some part of its territory, each Party shall allow against so much of its tax (as otherwise computed) as is attributable to property which is situated, or is deemed under paragraph (2) of Article III to be situated,

(a) in the territory of both Parties, or

(b) outside both territories,

a credit which bears the same proportion to the amount of its tax so attributable or to the amount of the other Party's tax attributable to the same property, whichever is the less, as the former amount bears to the sum of both amounts.

(3) For the purposes of this Article, the amount of the tax of a Contracting Party attributable to any property shall be ascertained after taking into account any credit, allowance or relief, or any remission or reduction of tax, otherwise than in respect of tax payable in the territory of the other Contracting Party or in any other country; and if, in respect of property situated outside the territories of both Parties, a Contracting Party allows against its tax a credit for tax payable in the country where the property is situated, that credit shall be taken into account in ascertaining, for the purposes of paragraph (2) of this Article, the amount of the tax of that Party attributable to the property.

#### ARTICLE VI

(1) Any claim for a credit or for a refund of tax founded on the provisions of the present Convention shall be made within six years from the date of the death of the decedent in respect of whose estate the claim is made, or, in the case of a reversionary interest where payment of tax is deferred until on or after the date on which the interest falls into possession, within six years from that date.

(2) Any such refund shall be made without payment of interest on the amount so refunded.

#### ARTICLE VII

(1) The taxation authorities of the Contracting Parties shall exchange such information (being information available under the respective taxation laws of the Contracting Parties) as is necessary for carrying out the provisions of the present Convention or for the prevention of fraud or the administration of statutory provisions against legal avoidance in relation to the taxes which are the subject of the present Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any person other than those concerned with the

assessment and collection of the taxes which are the subject of the present Convention. No information shall be exchanged which would disclose any trade secret or trade process.

(2) As used in this Article, the term "taxation authorities" means, in the case of the United States, the Commissioner of Internal Revenue or his authorized representative; in the case of Great Britain, the Commissioners of Inland Revenue or their authorized representative; and, in the case of any territory to which the present Convention is extended under Article VIII, the competent authority for the administration in such territory of the taxes to which the present Convention applies.

#### ARTICLE VIII

(1) Either of the Contracting Parties may, on the coming into force of the present Convention or at any time thereafter while it continues in force, by a written notification of extension given to the other Contracting Party through diplomatic channels, declare its desire that the operation of the present Convention shall extend to all or any of its colonies, overseas territories, protectorates, or territories in respect of which it exercises a mandate, which impose taxes substantially similar in character to those which are the subject of the present Convention. The present Convention shall apply to the territory or territories named in such notification as to the estates of persons dying on or after the date or dates specified in the notification (not being less than sixty days from the date of the notification) or, if no date is specified in respect of any such territory, on or after the sixtieth day after the date of such notification, unless, prior to the date on which the Convention would otherwise become applicable to a particular territory, the Contracting Party to whom notification is given shall have informed the other Contracting Party in writing through diplomatic channels that it does not accept such notification as to that territory. In the absence of such extension, the present Convention shall not apply to any such territory.

(2) At any time after the expiration of one year from the entry into force of an extension under paragraph (1) of this Article, either of the Contracting Parties may, by written notice of termination given to the other Contracting Party through diplomatic channels, terminate the application of the present Convention to any territory to which it has been extended under paragraph (1), and in such event the present Convention shall cease to apply, as to the estates of persons dying on or after the date or dates (not being earlier than the sixtieth day after the date of such notice) specified in such notice, or, if no date is specified, on or after the sixtieth day after the date of such notice, to the territory or territories named therein, but without affecting its continued application to the United States, Great Britain or to any other territory to which it has been extended under paragraph (1) hereof.

(3) In the application of the present Convention in relation to any territory to which it is extended by the United States or the United Kingdom, references to "United States" or, as the case may be, "Great Britain", or to the territory of one (or of the other) Contracting Party, shall be construed as references to that territory.

(4) The provisions of the preceding paragraphs of this Article shall apply to the Channel Islands and the Isle of Man as if they were colonies of the United Kingdom.

#### ARTICLE IX

The present Convention shall apply in relation to estate duty imposed in Northern Ireland as it applies in relation to estate duty imposed in Great Britain, but shall be separately terminable in respect of Northern Ireland by the same procedure as is laid down in paragraph (2) of Article VIII.

#### ARTICLE X

(1) The present Convention shall be ratified and the instruments of ratification shall be exchanged at Washington as soon as possible.

(2) The present Convention shall come into force on the date of exchange of ratifications and shall be effective only as to

(a) the estates of persons dying on or after such date; and

(b) the estate of any person dying before such date and after the 31st day of December, 1944, whose personal representative elects, in such manner as may be prescribed, that the provisions of the present Convention shall be applied to such estate.

#### ARTICLE XI

(1) The present Convention shall remain in force for not less than three years after the date of its coming into force.

(2) If not less than six months before the expiration of such period of three years, neither of the Contracting Parties shall have given to the other Contracting Party, through diplomatic channels, written notice of its intention to terminate the present Convention, the Convention shall remain in force after such period of three years until either of the Contracting Parties shall have given written notice of such intention, in which event the present Convention shall not be effective as to the estates of persons dying on or after the date (not being earlier than the sixtieth day after the date of such notice) specified in such notice, or, if no date is specified, on or after the sixtieth day after the date of such notice.

IN WITNESS WHEREOF the above-mentioned Plenipotentiaries have signed the present Convention and have affixed thereto their seals.

Done at Washington, in duplicate, on the 16th day of April, 1945.

For the Government of the United States of America:

E. R. STETTINUS, Jr.

For the Government of the United Kingdom of Great Britain and Northern Ireland:  
HALIFAX.

The PRESIDENT pro tempore. If there be no further reports of committees, the clerk will proceed to state the nominations on the Executive Calendar.

#### POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. HILL. I ask unanimous consent that the postmaster nominations be confirmed en bloc.

The PRESIDENT pro tempore. Without objection, the postmaster nominations are confirmed en bloc.

Mr. HILL. I ask unanimous consent that the President be immediately notified of the confirmations.

The PRESIDENT pro tempore. Without objection, the President will be notified forthwith.

#### THE LEGISLATIVE PROGRAM

Mr. WHITE. Mr. President, I understood a motion was to be made to adjourn or recess until Monday.

Mr. HILL. That is correct.

Mr. WHITE. Is the Senator in position to tell us what will be before the Senate on Monday?

Mr. HILL. I cannot tell the Senator. As he knows, the Senate Committee on Military Affairs has reported a bill to provide for the drafting of nurses for our armed forces. That bill is now on the calendar, and consideration is being given

to bringing it up at an early date. I cannot say at this time whether or not the bill will come up Monday.

Mr. WHITE. I thank the Senator.

#### RECESS TO MONDAY

Mr. HILL. As in legislative session, I move that the Senate take a recess till 12 o'clock noon on Monday next.

The motion was agreed to; and (at 4 o'clock and 56 minutes p. m.) the Senate took a recess until Monday, April 30, 1945, at 12 o'clock meridian.

#### CONFIRMATIONS

Executive nominations confirmed by the Senate April 26 (legislative day of April 16), 1945:

##### POSTMASTERS

###### ALABAMA

W. Cliff Crump, Collinsville.  
Oscar P. Braswell, Delta.  
Arthur G. Finch, Red Bay.  
Samuel Henry Dailey, Tunnel Springs.

###### GEORGIA

Mattie K. Pollard, Appling.  
Jeremiah B. Monk, Moultrie.  
Agnese R. Mundy, Rockmart.  
Isaac Y. Conger, Tifton.  
Urvie W. Busby, Villa Rica.

###### KANSAS

Mildred M. Beach, Elwood.  
Mary D. Haring, Latham.  
William H. Guthrie, Jr., Leon.  
Paul Wayne Kirkpatrick, Marysville.  
Charles W. Horak, Munden.  
Vera M. Lapsley, Prescott.  
Ethel M. Gough, Sharon Springs.

###### MISSISSIPPI

Bessie D. Corban, Fayette.  
Wyatt W. Curtis, French Camp.  
Agnes E. Olivier, Mississippi City.  
Albert E. McGee, Wesson.

###### NEW MEXICO

Margaret G. Mellichampe, Monista.

###### NORTH CAROLINA

Marlin Grady Bishop, Browns Summit.  
Willie E. McGoogan, Lumber Bridge.  
Lucy A. Williamson, Turkey.

###### OKLAHOMA

Green B. Combs, Owasso.

###### WISCONSIN

Erwin E. Wiffler, Arcadia.  
Edgar H. Setzkorn, Arpin.  
Alice A. McHugh, Holmen.  
John H. Irish, Laona.

## HOUSE OF REPRESENTATIVES

THURSDAY, APRIL 26, 1945

The House met at 12 o'clock noon, and was called to order by the Speaker.

Rev. Bernard Braskamp, D. D., pastor of the Gunton Temple Memorial Presbyterian Church, Washington, D. C., offered the following prayer:

O Thou gracious Benefactor, bestowing upon us blessings which cannot be numbered, we humbly and penitently confess that we are continually receiving them with too little gratitude and treasuring them with too little care.

May we now in all sincerity and simplicity render unto Thee the tribute of a more heartfelt praise, for Thou art the light of all that is true, the strength

of all that is good, and the glory of all that is beautiful.

Reverently and gratefully we would remember those who are daily laboring for the provision of our needs and laying down their very lives for the preservation of our freedoms. O merciful God, help us to see that we are guilty of the most debasing kind of sacrilege if we are careless and indifferent to their suffering and sacrifice.

Grant that the spirit of the Christ may break down all the barriers and purge away everything that separates and keeps apart the members of the family of nations. May that day be hastened when men everywhere shall live by that moral and spiritual law which fulfills itself in the fellowship of peace and good will.

Hear us in the name of the Prince of Peace. Amen.

The Journal of the proceedings of yesterday was read and approved.

#### MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment bills and a joint resolution of the House of the following titles:

H. R. 689. An act to enable the Department of State, pursuant to its responsibilities under the Constitution and statutes of the United States, more effectively to carry out its prescribed and traditional responsibilities in the foreign field; to strengthen the Foreign Service permitting fullest utilization of available personnel and facilities of other departments and agencies and coordination of activities abroad of the United States under a Foreign Service for the United States unified under the guidance of the Department of State;

H. R. 1525. An act relating to escapes of prisoners of war and interned enemy aliens;

H. R. 1701. An act to amend section 2, Public Law 140, Seventy-seventh Congress;

H. R. 1719. An act to confirm the claim of Charles Gaudet; and

H. J. Res. 18. Joint resolution providing for the celebration in 1945 of the one-hundredth anniversary of the founding of the United States Naval Academy, Annapolis, Md.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 534. An act to amend the Judicial Code in respect to the original jurisdiction of the district courts of the United States in certain cases, and for other purposes.

The message also announced that the Senate had passed bills and a joint resolution of the following titles, in which the concurrence of the House is requested:

S. 118. An act authorizing the Secretary of the Interior to convey certain lands on the Gila reclamation project, Arizona, to the University of Arizona;

S. 225. An act to authorize the carrying of Civil War battle streamers with regimental colors;

S. 421. An act to provide for the promotion of certain American prisoners of war;

S. 496. An act to make it a criminal offense for certain escaped convicts to travel from one State to another;

S. 497. An act to amend an act entitled "An act to provide for the purchase of public lands for home and other sites," approved June 1, 1938 (52 Stat. 609);

S. 565. An act to extend the privilege of retirement to the judges of the District Court for the District of Alaska, the District Court of the United States for Puerto Rico, the District Court of the Virgin Islands, and the United States District Court for the District of the Canal Zone;

S. 612. An act to amend the National Defense Act, as amended, so as to eliminate provisions for retirement of wing commanders of the Air Corps;

S. 655. An act amending the act of June 25, 1938 (52 Stat. 1207), authorizing the Secretary of the Interior to pay salary and expenses of the chairman, secretary, and interpreter of the Klamath General Council, members of the Klamath business committee and other committees appointed by said Klamath General Council, and official delegates of the Klamath Tribe, as amended, and for other purposes;

S. 881. An act authorizing the President of the United States to award posthumously in the name of Congress a Medal of Honor to William Mitchell;

S. 889. An act to amend section 47c of the National Defense Act of June 3, 1916, as amended, so as to authorize credit to students now or hereafter enrolled in the senior division of the Reserve Officers' Training Corps for military training received while on active duty in the Army, Navy, Marine Corps, or Coast Guard, or while pursuing a course of instruction in the Naval Reserve Officers' Training Corps; and

S. J. Res. 34. Joint resolution authorizing the President to issue posthumously to the late Col. William Mitchell a commission as a major general, United States Army, and for other purposes.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 2603. An act making appropriations for the Departments of State, Justice, Commerce, the Judiciary, and the Federal Loan Agency for the fiscal year ending June 30, 1946, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. McCARRAN, Mr. McKELLAR, Mr. RUSSELL, Mr. BANKHEAD, Mr. CONNALLY, Mr. WHITE, Mr. BURTON, and Mr. BALL to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 1984) entitled "An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1946, and for other purposes."

The message also announced that the Senate agrees to the amendments of the House to the amendments of the Senate numbered 60, 64, and 65 to the foregoing bill.

#### RADIO ADDRESS OF PRESIDENT TRUMAN OPENING SAN FRANCISCO SECURITY CONFERENCE

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to include in my remarks the text of the radio address made last night by President Truman.